

**PROGRESSIVE INSURANCE BHD**

(Company number 19002 - P)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements  
For The Financial Period From  
1 January 2017 to 30 June 2017**

**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 2017**

	Note	Group		Company	
		30.06.2017 RM	31.12.2016 RM	30.06.2017 RM	31.12.2016 RM
<b>ASSETS</b>					
Property and equipment		15,758,773	15,077,946	15,758,773	15,077,946
Investments:		300,901,409	258,569,924	288,187,357	272,303,780
- Available-for-sale ("AFS") financial assets	9 (a)	66,391,805	64,114,247	194,974,373	189,255,619
- Financial assets at fair value through profit or loss ("FVTPL")	9 (b)	234,509,604	194,455,677	93,212,984	83,048,161
Reinsurance assets	10	81,147,413	94,177,930	81,147,413	94,177,930
Loans and other receivables	11	136,951,763	163,310,093	131,024,771	146,611,462
Deferred tax assets		1,977,821	442,489	1,977,821	442,489
Insurance receivables	12	32,358,464	18,059,475	32,358,464	18,059,475
Cash and bank balances		18,568,232	12,081,869	13,349,811	11,490,239
<b>TOTAL ASSETS</b>		<b>587,663,875</b>	<b>561,719,726</b>	<b>563,804,410</b>	<b>558,163,321</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		157,409,580	136,413,714	142,041,010	136,476,890
		257,409,580	236,413,714	242,041,010	236,476,890
Non-controlling interest		3,636,482	3,535,641	-	-
<b>TOTAL EQUITY</b>		<b>261,046,062</b>	<b>239,949,355</b>	<b>242,041,010</b>	<b>236,476,890</b>
Insurance contract liabilities	13	241,367,894	257,631,904	241,367,894	257,631,904
Other financial liabilities	14	35,811,972	34,890,422	35,811,972	34,890,422
Insurance payables	15	36,232,946	20,949,758	36,232,946	20,949,758
Other payables		8,756,856	5,681,233	3,902,443	5,597,293
Tax payable		4,448,145	2,617,054	4,448,145	2,617,054
<b>TOTAL LIABILITIES</b>		<b>326,617,813</b>	<b>321,770,371</b>	<b>321,763,400</b>	<b>321,686,431</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>587,663,875</b>	<b>561,719,726</b>	<b>563,804,410</b>	<b>558,163,321</b>

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 2017**

	Note	Group		Company	
		30.06.2017 RM	30.06.2016 RM	30.06.2017 RM	30.06.2016 RM
Gross written premiums	13 (ii)	79,775,591	81,605,287	79,775,591	81,605,287
Change in unearned premiums provision		(4,156,240)	(3,832,290)	(4,156,240)	(3,832,290)
Gross earned premiums	13 (ii)	<u>75,619,351</u>	<u>77,772,997</u>	<u>75,619,351</u>	<u>77,772,997</u>
Gross written premiums ceded to reinsurers	13 (ii)	(40,849,586)	(39,150,716)	(40,849,586)	(39,150,716)
Change in unearned premiums provision		713,980	1,646,082	713,980	1,646,082
Premiums ceded to reinsurers	13 (ii)	<u>(40,135,606)</u>	<u>(37,504,634)</u>	<u>(40,135,606)</u>	<u>(37,504,634)</u>
<b>Net earned premiums</b>		<u>35,483,745</u>	<u>40,268,363</u>	<u>35,483,745</u>	<u>40,268,363</u>
Investment income, net		6,869,388	6,610,513	6,057,119	6,302,607
Realised gains		5,781,067	955,791	5,672,262	906,036
Fair value gains and losses		10,318,468	(213,965)	9,652,764	(1,116,828)
Commission income		8,779,378	8,742,261	8,779,378	8,742,261
Other operating income		128,886	2,100,651	128,886	2,100,651
<b>Other income</b>		<u>31,877,187</u>	<u>18,195,251</u>	<u>30,290,409</u>	<u>16,934,727</u>
Gross claims paid		(41,947,293)	(35,459,584)	(41,947,293)	(35,459,584)
Claims ceded to reinsurers		15,828,017	8,196,554	15,828,017	8,196,554
Gross change in contract liabilities		20,420,250	8,493,507	20,420,250	8,493,507
Change in contract liabilities ceded to reinsurers		(13,744,497)	1,423,785	(13,744,497)	1,423,785
<b>Net claims incurred</b>		<u>(19,443,523)</u>	<u>(17,345,738)</u>	<u>(19,443,523)</u>	<u>(17,345,738)</u>
Commission expenses		(10,190,817)	(10,373,839)	(10,190,817)	(10,373,839)
Management expenses					
-General fund		(17,891,797)	(15,786,312)	(17,677,009)	(15,574,162)
-Shareholder's fund		(38,525)	(13,266)	(38,525)	(13,266)
<b>Other expenses</b>		<u>(28,121,139)</u>	<u>(26,173,417)</u>	<u>(27,906,351)</u>	<u>(25,961,267)</u>
<b>Profit before taxation</b>		<u>19,796,270</u>	<u>14,944,459</u>	<u>18,424,280</u>	<u>13,896,085</u>
Tax expense		(4,430,000)	(2,800,000)	(4,430,000)	(2,800,000)
<b>Net profit for the period</b>		<u>15,366,270</u>	<u>12,144,459</u>	<u>13,994,280</u>	<u>11,096,085</u>

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

**UNAUDITED CONDENSED INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	Note	Group		Company	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM	RM	RM	RM
<b>Earnings per ordinary share</b>		15.4	12.1	14.0	11.1
<b>(cent) - basic and diluted</b>					
<b>Attributable to:</b>					
Equity holder of the					
Company		15,269,454	12,053,930	13,994,280	11,096,085
Non-controlling interests		96,816	90,529	-	-
		<u>15,366,270</u>	<u>12,144,459</u>	<u>13,994,280</u>	<u>11,096,085</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 2017**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Net profit for the period</b>	15,366,270	12,144,459	13,994,280	11,096,085
<b>Other comprehensive income/ (loss)</b>				
<u>Items that may be reclassified to income statements in subsequent periods:</u>				
Fair value change on AFS financial assets:				
Gain/(loss) on fair value changes	17,075,684	(274,075)	2,919,112	855,088
Transferred to profit or loss upon disposal	(4,649)	173,303	(4,649)	173,303
Deferred tax	235,377	247,381	235,377	247,381
<b>Other comprehensive income for the year, net of tax</b>	<u>17,306,412</u>	<u>146,609</u>	<u>3,149,840</u>	<u>1,275,772</u>
<b>Total comprehensive income for the period</b>	<u>32,672,682</u>	<u>12,291,068</u>	<u>17,144,120</u>	<u>12,371,857</u>
<b>Total comprehensive income for the year attributable to:</b>				
Equity holder of the Company	32,575,866	12,200,539	17,144,120	12,371,857
Non-controlling interests	96,816	90,529	-	-
	<u>32,672,682</u>	<u>12,291,068</u>	<u>17,144,120</u>	<u>12,371,857</u>

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

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

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
<b>At 1 January 2016</b>	100,000,000	2,617,432	348,026	114,358,712	217,324,170	3,391,440	220,715,610
Total comprehensive income for the year	-	3,541,900	146,609	23,121,035	26,809,544	143,419	26,952,963
Dividend paid during the year	-	-	-	(7,720,000)	(7,720,000)	-	(7,720,000)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	782	782
<b>At 30 June 2016</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>494,635</u>	<u>129,759,747</u>	<u>236,413,714</u>	<u>3,535,641</u>	<u>239,949,355</u>
<b>At 1 January 2017</b>	100,000,000	6,159,332	494,635	129,759,747	236,413,714	3,535,641	239,949,355
Total comprehensive income for the year	-	-	17,306,412	15,269,454	32,575,866	96,816	32,672,682
Dividend paid during the year (Note 6)	-	-	-	(11,580,000)	(11,580,000)	-	(11,580,000)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	4,025	4,025
<b>At 30 June 2017</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>17,801,047</u>	<u>133,449,201</u>	<u>257,409,580</u>	<u>3,636,482</u>	<u>261,046,062</u>

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

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

Company	← Non-distributable →			Distributable	
	Share capital	Property revaluation reserve	Available for sale ("AFS") reserve	Retained earnings	Total equity
	RM	RM	RM	RM	RM
<b>At 1 January 2016</b>	100,000,000	2,617,432	1,000,907	113,777,109	217,395,448
Total comprehensive income for the year	-	-	1,275,772	11,096,085	12,371,857
Dividend paid during the year	-	-	-	(7,720,000)	(7,720,000)
<b>At 30 June 2016</b>	<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>
<b>At 1 January 2017</b>	100,000,000	6,159,332	1,087,114	129,230,444	236,476,890
Total comprehensive income for the year	-	-	3,149,840	13,994,280	17,144,120
Dividend paid during the year (Note 6)	-	-	-	(11,580,000)	(11,580,000)
<b>At 30 June 2017</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>4,236,954</u>	<u>131,644,724</u>	<u>242,041,010</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 2017**

<b>GROUP</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flow from operating activities</b>		
Profit before taxation	19,796,270	14,944,459
Investment (income)/loss and cash flows:		
Interest income	(5,728,385)	(6,240,038)
Dividend income	(1,664,558)	(1,240,698)
Realised gains recorded in income statement	(5,781,067)	(955,791)
Fair value (gains)/loss recorded in income statement	(10,318,468)	213,965
Purchase of AFS financial assets	(8,208,489)	(27,580,251)
Proceeds from disposal of AFS financial assets	6,205,070	29,401,475
Purchase of FVTPL financial assets	(82,269,320)	(110,204,552)
Proceeds from disposal of FVTPL financial assets	73,742,447	101,801,489
Interest received	5,896,840	6,213,100
Dividend received	1,433,446	1,192,357
Non-cash items:		
Depreciation of property and equipment	663,212	666,927
Net amortisation of discounts	138,838	325,150
Net allowance for impairment on insurance receivables	418,510	218,682
Impairment of AFS financial assets	-	200,000
Changes in working capital:		
Decrease/(increase) in loans and receivables	1,408,716	(2,196,664)
Decrease in insurance contract liabilities	(3,233,501)	(7,731,081)
(Increase)/decrease in insurance receivables	(14,717,500)	5,791,088
Decrease in fixed and call deposits	22,184,365	14,029,016
Increase/(decrease) in insurance payables	15,283,188	(8,406,062)
Increase/(decrease) in other payables	6,752,592	(2,699,383)
Cash generated from operating activities	22,002,206	7,743,188
Gain on disposal of property and equipment	(119,700)	-
Income tax paid, net	(2,595,830)	(1,554,934)
Net cash generated from operating activities	<u>19,286,676</u>	<u>6,188,254</u>
<b>Investing Activities</b>		
Proceeds from disposal of property and equipment	-	-
Purchase of property and equipment	(1,224,338)	(226,963)
Net cash used in investing activities	<u>(1,224,338)</u>	<u>(226,963)</u>

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

**UNAUDITED CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

<b>GROUP</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Financing Activity</b>		
Dividends paid to shareholders	(11,580,000)	(7,720,000)
Payment for cancellation of units to non-controlling interests	4,025	(2,109)
	<u>(11,575,975)</u>	<u>(7,722,109)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	6,486,363	(1,760,818)
<b>Cash and cash equivalents at beginning of year</b>	<u>12,081,869</u>	<u>12,302,801</u>
<b>Cash and cash equivalents at end of period</b>	<u>18,568,232</u>	<u>10,541,983</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 2017**

<b>COMPANY</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flow from operating activities</b>		
Profit before taxation	18,424,280	13,896,085
Investment (income)/loss and cash flows:		
Interest income	(2,671,802)	(3,094,375)
Dividend income	(1,664,558)	(1,240,698)
Distribution income	(2,156,590)	(2,526,332)
Realised gains recorded in income statement	(5,672,262)	(906,036)
Fair value (gains)/loss recorded in income statement	(9,652,764)	1,116,828
Purchase of AFS financial assets	(8,208,489)	(27,580,251)
Proceeds from disposal of AFS financial assets	6,205,070	29,401,475
Purchase of FVTPL financial assets	(49,012,149)	(47,651,527)
Proceeds from disposal of FVTPL financial assets	54,246,417	40,891,539
Interest received	2,902,913	3,331,374
Dividend received	1,433,446	1,192,357
Non-cash items:		
Depreciation of property and equipment	663,212	666,927
Net amortisation of discounts	51,114	13,339
Net allowance for impairment on insurance receivables	418,510	218,682
Impairment of AFS financial assets	-	200,000
Changes in working capital:		
Increase in loans and receivables	1,408,716	(2,196,664)
(Increase)/decrease in insurance receivables	(14,717,500)	5,791,088
Decrease in insurance contract liabilities	(3,233,501)	(7,731,081)
Increase in fixed and call deposits	11,350,068	15,201,925
Decrease/(increase) in insurance payables	15,283,188	(8,406,062)
Decrease/(increase) in other payables	1,982,121	(2,697,838)
Cash generated from operating activities	<u>17,379,440</u>	<u>7,890,755</u>
Gain on disposal of property and equipment	(119,700)	-
Income tax paid, net	<u>(2,595,830)</u>	<u>(1,554,934)</u>
Net cash generated from operating activities	<u>14,663,910</u>	<u>6,335,821</u>

**PROGRESSIVE INSURANCE BHD (19002-P)**  
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

<b>COMPANY</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Investing Activities</b>		
Purchase of property and equipment	<u>(1,224,338)</u>	<u>(226,962)</u>
Net cash used in investing activities	<u>(1,224,338)</u>	<u>(226,962)</u>
<b>Financing Activity</b>		
Dividends paid to shareholders, representing net cash used in financing activity	<u>(11,580,000)</u>	<u>(7,720,000)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,859,572	(1,611,141)
<b>Cash and cash equivalents at beginning of year</b>	<u>11,490,239</u>	<u>11,881,832</u>
<b>Cash and cash equivalents at end of period</b>	<u>13,349,811</u>	<u>10,270,691</u>

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

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

**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, 2016, 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, 2016, except for the adoption of the following:

<b>Description</b>	<b>Effective date</b>
Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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.

**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 2017.

**3. Unusual items**

The assets, liabilities, equity, net income and cash flows of the Group and the Company in the second financial quarter ended 30 June 2017 were not substantially affected by any item of a material and unusual nature.

**4. Changes in estimates**

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2017.

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

**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 2017, the Company paid a final single-tier dividend in respect of the financial year ended 31 December 2016 of 11.58% on 100,000,000 ordinary shares amounting to a total dividend of RM11,580,000 (11.58 sen per ordinary share) on 26 May, 2017.

**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 2017.

**9. INVESTMENTS**

**(a) AFS Financial Assets**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysian Government Securities	1,000,330	976,250	1,000,330	976,250
Corporate debt securities	65,391,475	63,137,997	65,391,475	63,137,997
Wholesale unit trust funds	-	-	128,582,568	125,141,372
<b>Total</b>	<b>66,391,805</b>	<b>64,114,247</b>	<b>194,974,373</b>	<b>189,255,619</b>

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

**(b) Financial Assets at FVTPL**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Held for trading:				
Corporate debt securities	141,296,620	111,407,516	-	-
Unit trusts funds	3,002,545	6,697,390	3,002,545	6,697,390
Equity securities	90,210,439	76,350,771	90,210,439	76,350,771
<b>Total</b>	<b>234,509,604</b>	<b>194,455,677</b>	<b>93,212,984</b>	<b>83,048,161</b>
<b>Total investments</b>	<b>300,901,409</b>	<b>258,569,924</b>	<b>288,187,357</b>	<b>272,303,780</b>

**10. REINSURANCE ASSETS**

	<b>Note</b>	<b>Group/Company</b>	
		<b>30.06.2017</b>	<b>31.12.2016</b>
		<b>RM</b>	<b>RM</b>
Reinsurance of insurance contracts			
Claim liabilities	13 (i)	62,293,797	76,038,294
Premium liabilities	13 (ii)	18,853,616	18,139,636
		<b>81,147,413</b>	<b>94,177,930</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**11. LOANS AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables:				
Other receivables, deposits and	2,699,159	2,313,936	2,699,159	2,313,936
Prepayments	326,627	492,613	326,627	492,613
Income due and accrued	2,234,336	2,464,459	826,090	1,118,870
Share of the asset held by MMIP	56,780,224	60,852,413	56,780,224	60,852,413
Amounts receivable from sale of				
shares/matured bonds	908,542	999,430	908,542	999,430
	<u>62,948,888</u>	<u>67,122,851</u>	<u>61,540,642</u>	<u>65,777,262</u>
Fixed and call deposits with:				
Licensed banks in Malaysia	35,002,875	57,187,242	30,484,129	41,834,200
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	<u>74,002,875</u>	<u>96,187,242</u>	<u>69,484,129</u>	<u>80,834,200</u>
Total loans and other receivables	<u>136,951,763</u>	<u>163,310,093</u>	<u>131,024,771</u>	<u>146,611,462</u>

Included in the fixed and call deposits are cash collaterals received from policyholders of RM 35,811,972(2016: RM34,890,422) for guarantee issued on behalf of policyholders (Note 14).

**12. INSURANCE RECEIVABLES**

	<b>Group/Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Due premiums including agents/brokers		
and co-insurers balances	31,071,206	18,194,106
Due from reinsurers and cedants	<u>4,794,051</u>	<u>2,946,162</u>
	35,865,257	21,140,268
Less: Allowance for impairment	<u>(3,506,793)</u>	<u>(3,080,793)</u>
	<u>32,358,464</u>	<u>18,059,475</u>



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**13. INSURANCE CONTRACT LIABILITIES**

**Group/Company**

	← 30. 06. 2017 →			← 31.12.2016 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	119,961,725	(48,015,148)	71,946,577	140,177,838	(65,179,500)	74,998,338
Provision for incurred but not reported claims ("IBNR")	43,931,694	(8,876,299)	35,055,395	43,453,542	(4,468,447)	38,985,095
Claims handling expenses	1,905,979	-	1,905,979	1,791,064	-	1,791,064
Provision of risk margin for adverse deviations ("PRAD")	11,416,983	(5,402,350)	6,014,633	12,214,187	(6,390,347)	5,823,840
Claim liabilities (i)	177,216,381	(62,293,797)	114,922,584	197,636,631	(76,038,294)	121,598,337
Premiums liabilities (ii)	64,151,513	(18,853,616)	45,297,897	59,995,273	(18,139,636)	41,855,637
	<u>241,367,894</u>	<u>(81,147,413)</u>	<u>160,220,481</u>	<u>257,631,904</u>	<u>(94,177,930)</u>	<u>163,453,974</u>

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**13. INSURANCE CONTRACT LIABILITIES (CONT'D.)**

**Group/Company**

	← 30. 06. 2017 →			← 31.12.2016 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
<b>(i) Claims Liabilities</b>						
<b>At 1 January</b>	197,636,922	(76,038,294)	121,598,628	212,823,509	(76,858,841)	135,964,668
Claims incurred in the current accident year	91,419,204	(17,752,288)	73,666,916	130,930,171	(15,769,352)	115,160,819
Movements in claims incurred in prior accident years	(69,892,452)	15,668,768	(54,223,684)	(76,369,693)	1,229,267	(75,140,426)
Claims paid during the year	(41,947,293)	15,828,017	(26,119,276)	(69,747,356)	15,360,632	(54,386,724)
<b>At 30.06.2017 / 31.12.2016</b>	<b>177,216,381</b>	<b>(62,293,797)</b>	<b>114,922,584</b>	<b>197,636,631</b>	<b>(76,038,294)</b>	<b>121,598,337</b>
<b>(ii) Premium Liabilities</b>						
<b>At 1 January</b>	59,995,273	(18,139,635)	41,855,638	65,627,498	(17,765,434)	47,862,064
Premiums written in the year	79,775,591	(40,849,586)	38,926,005	151,646,182	(73,142,570)	78,503,612
Premiums earned during the year	(75,619,351)	40,135,605	(35,483,746)	(157,278,407)	72,768,368	(84,510,039)
<b>At 30.06.2017 / 31.12.2016</b>	<b>64,151,513</b>	<b>(18,853,616)</b>	<b>45,297,897</b>	<b>59,995,273</b>	<b>(18,139,636)</b>	<b>41,855,637</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**14. OTHER FINANCIAL LIABILITIES**

	Note	Group/Company	
		30.06.2017	31.12.2016
		RM	RM
Cash collateral deposits received from policyholders	11	34,679,865	33,800,880
Interest on cash collateral deposits received from policyholders		1,132,107	1,089,542
		<u>35,811,972</u>	<u>34,890,422</u>

**15. INSURANCE PAYABLES**

	Group/Company	
	30.06.2017	31.12.2016
	RM	RM
Due to reinsurers and cedants	34,705,030	19,397,443
Due to agents/brokers and co-insurers balances	1,527,916	1,552,315
	<u>36,232,946</u>	<u>20,949,758</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:

	30.06.2017	31.12.2016
	RM	RM
Not later than 1 year	565,094	572,174
Later than 1 year and not later than 5 years	1,749,559	1,829,429
Later than 5 years	451,726	630,247
	<u>2,766,379</u>	<u>3,031,850</u>

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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:

	<b>Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Wholesale unit trust funds:		
Distribution income	2,156,590	5,095,124
	<u>2,156,590</u>	<u>5,095,124</u>
	<b>Group/Company</b>	
	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Fellow subsidiary:		
Balances:		
Corporate debt securities	-	5,000,000
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	106,582	514,178
	<u>106,582</u>	<u>514,178</u>
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	6,315,600	8,370,251
Gross claims paid	(2,184,906)	(1,382,685)
Commission income	(369,857)	(536,872)
	<u>(369,857)</u>	<u>(536,872)</u>

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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 2017, the fair value of the Group's and Company's assets are as follows:

<b>Group</b>	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Property and equipment</b>					
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>
<b>AFS financial assets:</b>					
Corporate debt securities	65,391,475	-	65,391,475	-	65,391,475
	<u>66,391,805</u>	<u>-</u>	<u>65,391,475</u>	<u>-</u>	<u>65,391,475</u>
<b>Financial assets at FVTPL:</b>					
Corporate debt securities	141,296,620	-	141,296,620	-	141,296,620
Unit trust funds	3,002,545	3,002,545	-	-	3,002,545
Equity securities	90,210,439	90,210,439	-	-	90,210,439
	<u>234,509,604</u>	<u>93,212,984</u>	<u>141,296,620</u>	<u>-</u>	<u>234,509,604</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**18. FAIR VALUE ESTIMATION (CONT'D.)**

As at 30 June 2017, the fair value of the Group's and Company's assets are as follows: (cont'd.)

<b>Company</b>	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Property and equipment</b>					
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>
<b>AFS financial assets:</b>					
Malaysian Government Securities	1,000,330	-	-	-	1,000,330
Corporate debt securities	65,391,475	-	65,391,475	-	65,391,475
Wholesale unit trust funds	128,582,568	128,582,568	-	-	128,582,568
	<u>194,974,373</u>	<u>128,582,568</u>	<u>65,391,475</u>	<u>-</u>	<u>194,974,373</u>
<b>Financial assets at FVTPL:</b>					
Unit trust funds	3,002,545	3,002,545	-	-	3,002,545
Equity securities	90,210,439	90,210,439	-	-	90,210,439
	<u>93,212,984</u>	<u>93,212,984</u>	<u>-</u>	<u>-</u>	<u>93,212,984</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**18. FAIR VALUE ESTIMATION (CONT'D.)**

As at 31 December 2016, the fair value of the Group's and Company's assets are as follows:

<b>Group</b>	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Property and equipment</b>					
Freehold office lots	7,742,000	-	-	7,742,000	7,742,000
Long-term leasehold office lot	5,282,200	-	-	5,282,200	5,282,200
	<u>13,024,200</u>	<u>-</u>	<u>-</u>	<u>13,024,200</u>	<u>13,024,200</u>

**AFS financial assets:**

Malaysian Government Securities	976,250	-	976,250	-	976,250
Corporate debt securities	63,137,997	-	63,137,997	-	63,137,997
	<u>64,114,247</u>	<u>-</u>	<u>64,114,247</u>	<u>-</u>	<u>64,114,247</u>

**Financial assets at**

**FVTPL:**

Corporate debt securities	111,407,516	-	111,407,516	-	111,407,516
Unit trust funds	6,697,390	6,697,390	-	-	6,697,390
Equity securities	76,350,771	76,350,771	-	-	76,350,771
	<u>194,455,677</u>	<u>83,048,161</u>	<u>111,407,516</u>	<u>-</u>	<u>194,455,677</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**18. FAIR VALUE ESTIMATION (CONT'D.)**

As at 31 December 2016, the fair value of the Group's and Company's assets are as follows:  
(cont'd.)

<b>Company</b>	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Property and equipment</b>					
Freehold office lots	7,742,000	-	-	7,742,000	7,742,000
Long-term leasehold office lot	5,282,200	-	-	5,282,200	5,282,200
	<u>13,024,200</u>	<u>-</u>	<u>-</u>	<u>13,024,200</u>	<u>13,024,200</u>

**AFS financial assets:**

Malaysian Government Securities	976,250	-	976,250	-	976,250
Corporate debt securities	63,137,997	-	63,137,997	-	63,137,997
Wholesale unit trust funds	125,141,372	125,141,372	-	-	125,141,372
	<u>189,255,619</u>	<u>125,141,372</u>	<u>64,114,247</u>	<u>-</u>	<u>189,255,619</u>

**Financial assets at**

**FVTPL:**

Unit trust funds	6,697,390	6,697,390	-	-	6,697,390
Equity securities	76,350,771	76,350,771	-	-	76,350,771
	<u>83,048,161</u>	<u>83,048,161</u>	<u>-</u>	<u>-</u>	<u>83,048,161</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):

	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Opening balance</b>	13,024,200	9,081,000
Surplus on revaluation recognise in property revaluation reserve	-	3,200,000
Accumulated depreciation transferred to property revaluation reserve	-	1,109,900
Depreciation charge for the year	<u>(132,900)</u>	<u>(366,700)</u>
<b>Closing balance</b>	<u>12,891,300</u>	<u>13,024,200</u>

There were 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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**19. REGULATORY CAPITAL REQUIREMENTS**

The Company is required to comply with the mandatory capital requirement's prescribed in the RBC Framework which is prescribed in BNM/RH/GL 003-24: Risk-Based Capital Framework 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:

	<b>30.06.2017</b>	<b>31.12.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	131,644,724	129,230,444
<b>Tier 2 Capital</b>		
Eligible reserves	10,396,286	7,246,446
	<u>242,041,010</u>	<u>236,476,890</u>
Amount deducted from capital	(1,977,821)	(442,489)
<b>Total capital available</b>	<u><u>240,063,189</u></u>	<u><u>236,034,401</u></u>