

**PROGRESSIVE INSURANCE BHD**

(Company number 19002 - P)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements  
For The Financial Period From  
1 January 2018 to 30 June 2018**

**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 2018**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>					
Property and equipment		14,764,888	15,170,545	14,764,888	15,170,545
Investments:		261,466,431	299,019,339	273,554,099	301,540,217
- Available-for-sale ("AFS") financial assets	9 (a)	70,470,139	69,425,692	190,186,089	200,958,362
- Financial assets at fair value through profit or loss ("FVTPL")	9 (b)	190,996,292	229,593,647	83,368,010	100,581,855
Reinsurance assets	10	88,771,983	79,815,607	88,771,983	79,815,607
Loans and other receivables	11	140,597,697	137,832,353	125,002,728	131,821,087
Deferred tax assets		0	0	-	-
Insurance receivables	12	28,428,304	18,358,208	28,428,304	18,358,208
Cash and bank balances		11,231,887	6,849,738	10,939,338	6,575,966
<b>TOTAL ASSETS</b>		<b>545,261,190</b>	<b>557,045,790</b>	<b>541,461,340</b>	<b>553,281,630</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		133,392,101	152,765,437	132,655,362	152,825,370
		<u>233,392,101</u>	<u>252,765,437</u>	<u>232,655,362</u>	<u>252,825,370</u>
Non-controlling interest		2,980,684	3,722,151	-	-
<b>TOTAL EQUITY</b>		<b>236,372,785</b>	<b>256,487,588</b>	<b>232,655,362</b>	<b>252,825,370</b>
Insurance contract liabilities	13	240,183,105	231,207,397	240,183,105	231,207,397
Deferred tax liabilities		1,954,513	1,954,513	1,954,513	1,954,513
Other financial liabilities	14	31,852,639	34,910,602	31,852,639	34,910,602
Insurance payables	15	30,042,827	21,646,346	30,042,827	21,646,346
Other payables		4,855,321	10,839,344	4,772,894	10,737,402
<b>TOTAL LIABILITIES</b>		<b>308,888,405</b>	<b>300,558,202</b>	<b>308,805,978</b>	<b>300,456,260</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>545,261,190</b>	<b>557,045,790</b>	<b>541,461,340</b>	<b>553,281,630</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 2018**

	Note	Group		Company	
		30.06.2018 RM	30.06.2017 RM	30.06.2018 RM	30.06.2017 RM
Gross written premiums	13 (ii)	84,185,293	79,775,591	84,185,293	79,775,591
Change in unearned premiums provision		(15,070,015)	(4,156,240)	(15,070,015)	(4,156,240)
Gross earned premiums	13 (ii)	<u>69,115,278</u>	<u>75,619,351</u>	<u>69,115,278</u>	<u>75,619,351</u>
Gross written premiums ceded to reinsurers	13 (ii)	(49,302,186)	(40,849,586)	(49,302,186)	(40,849,586)
Change in unearned premiums provision		10,798,579	713,980	10,798,579	713,980
Premiums ceded to reinsurers	13 (ii)	<u>(38,503,607)</u>	<u>(40,135,606)</u>	<u>(38,503,607)</u>	<u>(40,135,606)</u>
<b>Net earned premiums</b>		<u>30,611,671</u>	<u>35,483,745</u>	<u>30,611,671</u>	<u>35,483,745</u>
Investment income, net		7,273,585	6,869,388	6,510,300	6,057,119
Realised gains		3,679,721	5,781,067	3,569,780	5,672,262
Fair value gains and losses		(11,533,667)	10,318,468	(10,851,326)	9,652,764
Commission income		10,926,012	8,779,378	10,926,012	8,779,378
Other operating income		1,325,622	128,886	1,325,622	128,886
<b>Other income</b>		<u>11,671,273</u>	<u>31,877,187</u>	<u>11,480,388</u>	<u>30,290,409</u>
Gross claims paid		(40,775,829)	(41,947,293)	(40,775,829)	(41,947,293)
Claims ceded to reinsurers		16,190,471	15,828,017	16,190,471	15,828,017
Gross change in contract liabilities		6,094,307	20,420,250	6,094,307	20,420,250
Change in contract liabilities ceded to reinsurers		(1,842,203)	(13,744,497)	(1,842,203)	(13,744,497)
<b>Net claims incurred</b>		<u>(20,333,254)</u>	<u>(19,443,523)</u>	<u>(20,333,254)</u>	<u>(19,443,523)</u>
Commission expenses		(10,619,323)	(10,190,817)	(10,619,323)	(10,190,817)
Management expenses					
-General fund		(17,658,851)	(17,891,797)	(17,433,664)	(17,677,009)
-Shareholder's fund		(465)	(38,525)	(465)	(38,525)
<b>Other expenses</b>		<u>(28,278,639)</u>	<u>(28,121,139)</u>	<u>(28,053,452)</u>	<u>(27,906,351)</u>

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

**UNAUDITED CONDENSED INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

	Note	Group		Company	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM	RM	RM	RM
<b>Profit before taxation</b>		(6,328,949)	19,796,270	(6,294,647)	18,424,280
Tax expense		-	(4,430,000)	-	(4,430,000)
<b>Net profit for the period</b>		<u>(6,328,949)</u>	<u>15,366,270</u>	<u>(6,294,647)</u>	<u>13,994,280</u>
<b>Earnings per ordinary share</b>					
<b>(cent) - basic and diluted</b>		<u>(6.3)</u>	<u>15.4</u>	<u>(6.3)</u>	<u>14.0</u>
<b>Attributable to:</b>					
Equity holder of the Company		(6,392,793)	15,269,454	(6,294,647)	13,994,280
Non-controlling interests		63,844	96,816	-	-
		<u>(6,328,949)</u>	<u>15,366,270</u>	<u>(6,294,647)</u>	<u>13,994,280</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 2018**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Net profit for the period</b>	(6,328,949)	15,366,270	(6,294,647)	13,994,280
<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	22,673	17,075,684	(872,145)	2,919,112
Transferred to profit or loss upon disposal	-	(4,649)	-	(4,649)
Deferred tax	(3,216)	235,377	(3,216)	235,377
<b>Other comprehensive income for the year, net of tax</b>	<u>19,457</u>	<u>17,306,412</u>	<u>(875,361)</u>	<u>3,149,840</u>
<b>Total comprehensive income for the period</b>	<u>(6,309,492)</u>	<u>32,672,682</u>	<u>(7,170,008)</u>	<u>17,144,120</u>
<b>Total comprehensive income for the year attributable to:</b>				
Equity holder of the Company	(6,373,336)	32,575,866	(7,170,008)	17,144,120
Non-controlling interests	63,844	96,816	-	-
	<u>(6,309,492)</u>	<u>32,672,682</u>	<u>(7,170,008)</u>	<u>17,144,120</u>

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

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

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

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 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	-	-	-	(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>	<b>100,000,000</b>	<b>6,159,332</b>	<b>17,801,047</b>	<b>133,449,201</b>	<b>257,409,580</b>	<b>3,636,482</b>	<b>261,046,062</b>
<b>At 1 January 2018</b>	100,000,000	6,159,332	142,843	146,463,262	252,765,437	3,722,151	256,487,588
Total comprehensive income for the year	-	-	19,457	(6,392,793)	(6,373,336)	63,844	(6,309,492)
Dividend paid during the year (Note 6)	-	-	-	(13,000,000)	(13,000,000)	-	(13,000,000)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	(805,311)	(805,311)
<b>At 30 June 2018</b>	<b>100,000,000</b>	<b>6,159,332</b>	<b>162,300</b>	<b>127,070,469</b>	<b>233,392,101</b>	<b>2,980,684</b>	<b>236,372,785</b>

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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 2018**

Company	← Non-distributable		→ Distributable		Total equity
	Share capital	Property revaluation reserve	Available for sale ("AFS") reserve	Retained earnings	
	RM	RM	RM	RM	
<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	-	-	-	(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>
<b>At 1 January 2018</b>	100,000,000	6,159,332	1,581,114	145,084,924	252,825,370
Total comprehensive income for the year	-	-	(875,361)	(6,294,647)	(7,170,008)
Dividend paid during the year (Note 6)	-	-	-	(13,000,000)	(13,000,000)
<b>At 30 June 2018</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>705,753</u>	<u>125,790,277</u>	<u>232,655,362</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 2018**

<b>GROUP</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flow from operating activities</b>		
(Loss)/profit before taxation	(6,328,949)	19,796,270
Investment (income)/loss and cash flows:		
Interest income	(6,005,622)	(5,728,385)
Dividend income	(1,778,174)	(1,664,558)
Realised gains recorded in income statement	(3,679,721)	(5,781,067)
Fair value loss/(gains) recorded in income statement	11,533,667	(10,318,468)
Purchase of AFS financial assets	-	(8,208,489)
Proceeds from disposal of AFS financial assets	-	6,205,070
Purchase of FVTPL financial assets	(60,698,195)	(82,269,320)
Proceeds from disposal of FVTPL financial assets	103,621,258	73,742,447
Interest received	11,457,336	5,896,840
Dividend received	1,234,020	1,433,446
Non-cash items:		
Depreciation of property and equipment	647,429	663,212
Net amortisation of discounts	86,873	138,838
Net allowance for impairment on insurance receivables	-	418,510
Impairment of AFS financial assets	-	-
Changes in working capital:		
(Increase)/decrease in loans and receivables	(5,666,022)	1,408,716
Increase/(decrease) in insurance contract liabilities	19,332	(3,233,501)
Increase in insurance receivables	(10,070,096)	(14,717,500)
Decrease in fixed and call deposits	504,510	22,184,365
Increase in insurance payables	8,396,481	15,283,188
(Decrease)/increase in other payables	(9,041,991)	6,752,592
Cash generated from operating activities	34,232,136	22,002,206
Gain on disposal of property and equipment	-	(119,700)
Income tax paid, net	(2,614,583)	(2,595,830)
Net cash generated from operating activities	<u>31,617,553</u>	<u>19,286,676</u>
<b>Investing Activities</b>		
Proceeds from disposal of property and equipment	10,740	-
Purchase of property and equipment	(250,901)	(1,224,338)
Net cash used in investing activities	<u>(240,161)</u>	<u>(1,224,338)</u>

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

**UNAUDITED CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

<b>GROUP</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Financing Activity</b>		
Dividends paid to shareholders	(13,000,000)	(11,580,000)
Proceeds from creation of units to non-controlling interests	(13,995,245)	-
Payment for cancellation of units to non-controlling interests	-	4,025
	<u>(26,995,245)</u>	<u>(11,575,975)</u>
<b>Net increase in cash and cash equivalents</b>	4,382,147	6,486,363
<b>Cash and cash equivalents at beginning of year</b>	<u>6,849,740</u>	<u>12,081,869</u>
<b>Cash and cash equivalents at end of period</b>	<u>11,231,887</u>	<u>18,568,232</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 2018**

<b>COMPANY</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flow from operating activities</b>		
(Loss)/profit before taxation	(6,294,647)	18,424,280
Investment (income)/loss and cash flows:		
Interest income	(1,222,598)	(2,671,802)
Dividend income	(1,778,174)	(1,664,558)
Distribution income	(3,932,866)	(2,156,590)
Realised gains recorded in income statement	(3,569,780)	(5,672,262)
Fair value loss/(gains) recorded in income statement	10,851,326	(9,652,764)
Purchase of AFS financial assets	-	(8,208,489)
Proceeds from disposal of AFS financial assets	-	6,205,070
Purchase of FVTPL financial assets	(49,789,702)	(49,012,149)
Proceeds from disposal of FVTPL financial assets	73,551,778	54,246,417
Interest received	8,017,848	2,902,913
Dividend received	1,234,020	1,433,446
Non-cash items:		
Depreciation of property and equipment	647,429	663,212
Net amortisation of discounts	-	51,114
Net allowance for impairment on insurance receivables	-	418,510
Impairment of AFS financial assets	-	-
Changes in working capital:		
(Increase)/decrease in loans and receivables	(5,666,022)	1,408,716
Increase in insurance receivables	(10,070,096)	(14,717,500)
Increase/(decrease) in insurance contract liabilities	19,332	(3,233,501)
Increase in fixed and call deposits	8,846,257	11,350,068
Decrease in insurance payables	8,396,481	15,283,188
(Increase)/decrease in other payables	(9,022,470)	1,982,121
Cash generated from operating activities	<u>20,218,116</u>	<u>17,379,440</u>
Gain on disposal of property and equipment	-	(119,700)
Income tax paid, net	<u>(2,614,583)</u>	<u>(2,595,830)</u>
Net cash generated from operating activities	<u>17,603,533</u>	<u>14,663,910</u>

**PROGRESSIVE INSURANCE BHD (19002-P)**  
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

<b>COMPANY</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Investing Activities</b>		
Proceeds from disposal of property and equipment	10,740	-
Purchase of property and equipment	(250,901)	(1,224,338)
Net cash used in investing activities	<u>(240,161)</u>	<u>(1,224,338)</u>
<b>Financing Activity</b>		
Dividends paid to shareholders, representing net cash used in financing activity	<u>(13,000,000)</u>	<u>(11,580,000)</u>
<b>Net increase in cash and cash equivalents</b>	4,363,372	1,859,572
<b>Cash and cash equivalents at beginning of year</b>	<u>6,575,966</u>	<u>11,490,239</u>
<b>Cash and cash equivalents at end of period</b>	<u>10,939,338</u>	<u>13,349,811</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, 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, 2017, except for the adoption of the

<b>Description</b>	<b>Effective date</b>
MFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendments to MFRS 4 – Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i> .	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

In November 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. In December 2016, the IASB issued Amendments to IFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the Amendments to IFRS 4 as issued by the IASB. However, the temporary exemption enables eligible entities to defer the implementation date of MFRS 9 and continue to apply MFRS 139 for annual periods beginning before 1 January 2021 at the latest.

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 2018.

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

**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 2018 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 2018.

**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 2018, the Company paid a final single-tier dividend in respect of the financial year ended 31 December 2017 of 13.0% on 100,000,000 ordinary shares amounting to a total dividend of *RM13,000,000* (13.0 sen per ordinary share) on 25 May, 2018.

**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 2018.

**9. INVESTMENTS**

**(a) AFS Financial Assets**

	Group		Company	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM	RM	RM	RM
Corporate debt securities	4,986,601	5,006,301	4,986,601	5,006,301
Wholesale unit trust funds	65,483,538	64,419,391	185,199,488	195,952,061
<b>Total</b>	<b>70,470,139</b>	<b>69,425,692</b>	<b>190,186,089</b>	<b>200,958,362</b>

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

**9. INVESTMENTS (CONT'D.)**

**(b) Financial Assets at FVTPL**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Held for trading:				
Corporate debt securities	107,628,282	129,011,792	-	-
Unit trusts funds	1,799,756	3,784,490	1,799,756	3,784,490
Equity securities	81,568,254	96,797,365	81,568,254	96,797,365
<b>Total</b>	<b>190,996,292</b>	<b>229,593,647</b>	<b>83,368,010</b>	<b>100,581,855</b>
<b>Total investments</b>	<b>261,466,431</b>	<b>299,019,339</b>	<b>273,554,099</b>	<b>301,540,217</b>

**10. REINSURANCE ASSETS**

	<b>Note</b>	<b>Group/Company</b>	
		<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM</b>	<b>RM</b>
Reinsurance of insurance contracts			
Claim liabilities	13 (i)	56,961,797	58,804,000
Premium liabilities	13 (ii)	31,810,186	21,011,607
		<b>88,771,983</b>	<b>79,815,607</b>

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

**11. LOANS AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables:				
Other receivables, deposits and	5,853,484	3,033,749	5,853,484	3,033,749
Prepayments	319,591	258,450	319,591	258,450
Income due and accrued	2,192,565	920,963	950,179	920,963
Share of the asset held by MMIP	56,026,537	58,443,958	56,026,537	58,443,958
Amounts receivable from sale of				
shares/matured bonds	2,834,268	1,299,473	2,834,268	1,299,041
	<u>67,226,445</u>	<u>63,956,593</u>	<u>65,984,059</u>	<u>63,956,161</u>
Fixed and call deposits with:				
Licensed banks in Malaysia	34,371,252	34,875,760	20,018,669	28,864,926
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	<u>73,371,252</u>	<u>73,875,760</u>	<u>59,018,669</u>	<u>67,864,926</u>
Total loans and other receivables	<u>140,597,697</u>	<u>137,832,353</u>	<u>125,002,728</u>	<u>131,821,087</u>

Included in the fixed and call deposits are cash collaterals received from policyholders of *RM 31,852,639* (2017: *RM34,910,602*) for guarantee issued on behalf of policyholders (Note 14).

**12. INSURANCE RECEIVABLES**

	<b>Group/Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Due premiums including agents/brokers		
and co-insurers balances	31,210,843	18,500,148
Due from reinsurers and cedants	<u>2,081,613</u>	<u>3,877,213</u>
	33,292,456	22,377,361
Less: Allowance for impairment	<u>(4,864,152)</u>	<u>(4,019,153)</u>
	<u>28,428,304</u>	<u>18,358,208</u>



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**13. INSURANCE CONTRACT LIABILITIES**

**Group/Company**

	← 30. 06. 2018 →			← 31.12.2017 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	103,360,805	(41,905,572)	61,455,233	116,084,194	(48,801,598)	67,282,596
Provision for incurred but not reported claims ("IBNR")	49,391,220	(10,312,155)	39,079,065	42,535,057	(4,934,695)	37,600,362
Claims handling expenses	2,462,544	-	2,462,544	2,377,154	-	2,377,154
Provision of risk margin for adverse deviations ("PRAD")	10,485,462	(4,744,070)	5,741,392	10,797,933	(5,067,707)	5,730,226
Claim liabilities (i)	165,700,031	(56,961,797)	108,738,234	171,794,338	(58,804,000)	112,990,338
Premiums liabilities (ii)	74,483,074	(31,810,186)	42,672,888	59,413,059	(21,011,607)	38,401,452
	<u>240,183,105</u>	<u>(88,771,983)</u>	<u>151,411,122</u>	<u>231,207,397</u>	<u>(79,815,607)</u>	<u>151,391,790</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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

**Group/Company**

	← 30. 06. 2018 →			← 31.12.2017 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
<b>(i) Claims Liabilities</b>						
<b>At 1 January</b>	171,794,338	(58,804,258)	112,990,080	197,636,631	(76,038,294)	121,598,337
Claims incurred in the current accident year	-	-	-	125,726,974	(24,108,648)	101,618,326
Movements in claims incurred in prior accident years	34,681,522	(14,348,010)	20,333,512	(76,158,118)	14,553,886	(61,604,232)
Claims paid during the year	(40,775,829)	16,190,471	(24,585,358)	(75,411,149)	26,789,056	(48,622,093)
<b>At 30.06.2018</b>	<b>165,700,031</b>	<b>(56,961,797)</b>	<b>108,738,234</b>	<b>171,794,338</b>	<b>(58,804,000)</b>	<b>112,990,338</b>
<b>(ii) Premium Liabilities</b>						
<b>At 1 January</b>	59,413,059	(21,011,606)	38,401,453	59,995,273	(18,139,636)	41,855,637
Premiums written in the year	84,185,293	(49,302,186)	34,883,107	137,553,225	(66,551,606)	71,001,619
Premiums earned during the year	(69,115,278)	38,503,606	(30,611,672)	(138,135,439)	63,679,635	(74,455,804)
<b>At 30.06.2018</b>	<b>74,483,074</b>	<b>(31,810,186)</b>	<b>42,672,888</b>	<b>59,413,059</b>	<b>(21,011,607)</b>	<b>38,401,452</b>

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

**14. OTHER FINANCIAL LIABILITIES**

	Note	Group/Company	
		30.06.2018	31.12.2017
		RM	RM
Cash collateral deposits received from policyholders	11	30,684,493	33,681,885
Interest on cash collateral deposits received from policyholders		1,168,146	1,228,717
		<u>31,852,639</u>	<u>34,910,602</u>

**15. INSURANCE PAYABLES**

	Group/Company	
	30.06.2018	31.12.2017
	RM	RM
Due to reinsurers and cedants	28,345,757	20,547,984
Due to agents/brokers and co-insurers balances	1,697,070	1,098,362
	<u>30,042,827</u>	<u>21,646,346</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:

	30.06.2018	31.12.2017
	RM	RM
Not later than 1 year	569,762	569,762
Later than 1 year and not later than 5 years	1,639,164	1,749,441
Later than 5 years	270,247	270,247
	<u>2,479,173</u>	<u>2,589,450</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>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Wholesale unit trust funds:		
Distribution income	3,932,866	5,545,506
	<u>3,932,866</u>	<u>5,545,506</u>
	<b>Group/Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Fellow subsidiary:		
Balances:		
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	106,582	425,244
	<u>106,582</u>	<u>425,244</u>
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	5,765,940	9,729,539
Gross claims paid	(896,288)	(3,794,154)
Commission income	(357,798)	(426,398)
	<u>(357,798)</u>	<u>(426,398)</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 2018, the fair value of the Group's and the 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	7,505,000	-	-	7,505,000	7,505,000
Long-term leasehold office lot	5,120,500	-	-	5,120,500	5,120,500
	<u>12,625,500</u>	<u>-</u>	<u>-</u>	<u>12,625,500</u>	<u>12,625,500</u>
<b>AFS financial assets:</b>					
Corporate debt securities	4,986,601	-	4,986,601	-	4,986,601
	<u>4,986,601</u>	<u>-</u>	<u>4,986,601</u>	<u>-</u>	<u>4,986,601</u>
<b>Financial assets at FVTPL:</b>					
Corporate debt securities	107,628,282	-	107,628,282	-	107,628,282
Unit trust funds	1,799,756	1,799,756	-	-	1,799,756
Equity securities	81,568,254	81,568,254	-	-	81,568,254
	<u>190,996,292</u>	<u>83,368,010</u>	<u>107,628,282</u>	<u>-</u>	<u>190,996,292</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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

As at 30 June 2018, the fair value of the Group's and the 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	7,505,000	-	-	7,505,000	7,505,000
Long-term leasehold office lot	5,120,500	-	-	5,120,500	5,120,500
	<u>12,625,500</u>	<u>-</u>	<u>-</u>	<u>12,625,500</u>	<u>12,625,500</u>
<b>AFS financial assets:</b>					
Malaysian Government Securities	-	-	-	-	-
Corporate debt securities	4,986,601	-	4,986,601	-	4,986,601
Wholesale unit trust funds	185,199,488	185,199,488	-	-	185,199,488
	<u>190,186,089</u>	<u>185,199,488</u>	<u>4,986,601</u>	<u>-</u>	<u>190,186,089</u>
<b>Financial assets at FVTPL:</b>					
Unit trust funds	1,799,756	1,799,756	-	-	1,799,756
Equity securities	81,568,254	81,568,254	-	-	81,568,254
	<u>83,368,010</u>	<u>83,368,010</u>	<u>-</u>	<u>-</u>	<u>83,368,010</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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

As at 31 December 2017, the fair value of the Group's and the 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	7,584,000	-	-	7,584,000	7,584,000
Long-term leasehold office lot	5,174,400	-	-	5,174,400	5,174,400
	<u>12,758,400</u>	<u>-</u>	<u>-</u>	<u>12,758,400</u>	<u>12,758,400</u>
<b>AFS financial assets:</b>					
Corporate debt securities	5,006,301	-	5,006,301	-	5,006,301
	<u>5,006,301</u>	<u>-</u>	<u>5,006,301</u>	<u>-</u>	<u>5,006,301</u>
<b>Financial assets at FVTPL:</b>					
Corporate debt securities	129,011,792	-	129,011,792	-	129,011,792
Unit trust funds	3,784,490	3,784,490	-	-	3,784,490
Equity securities	96,797,365	96,797,365	-	-	96,797,365
	<u>229,593,647</u>	<u>100,581,855</u>	<u>129,011,792</u>	<u>-</u>	<u>229,593,647</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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

As at 31 December 2017, the fair value of the Group's and the 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	7,584,000	-	-	7,584,000	7,584,000
Long-term leasehold office lot	5,174,400	-	-	5,174,400	5,174,400
	<u>12,758,400</u>	<u>-</u>	<u>-</u>	<u>12,758,400</u>	<u>12,758,400</u>
<b>AFS financial assets:</b>					
Corporate debt securities	5,006,301	-	5,006,301	-	5,006,301
Wholesale unit trust funds	195,952,061	195,952,061	-	-	195,952,061
	<u>200,958,362</u>	<u>195,952,061</u>	<u>5,006,301</u>	<u>-</u>	<u>200,958,362</u>
<b>Financial assets at FVTPL:</b>					
Unit trust funds	3,784,490	3,784,490	-	-	3,784,490
Equity securities	96,797,365	96,797,365	-	-	96,797,365
	<u>100,581,855</u>	<u>100,581,855</u>	<u>-</u>	<u>-</u>	<u>100,581,855</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>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Opening balance</b>	12,758,400	13,024,200
Accumulated depreciation transferred to property revaluation reserve	-	-
Depreciation charge for the year	(132,900)	(265,800)
<b>Closing balance</b>	<u>12,625,500</u>	<u>12,758,400</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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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**19. REGULATORY CAPITAL REQUIREMENTS**

The Company is required to comply with the mandatory capital requirements prescribed in the RBC Framework issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. 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>30.06.2018</b>	<b>31.12.2017</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	125,790,277	145,084,924
<b>Tier 2 Capital</b>		
Eligible reserves	6,865,085	7,740,446
	<u>232,655,362</u>	<u>252,825,370</u>
Amount deducted from capital	-	-
<b>Total capital available</b>	<u>232,655,362</u>	<u>252,825,370</u>