



BERJAYA SOMPO INSURANCE

Unaudited Interim Financial Statements
For The 6 Months Ended 30 June 2018

Company No. 62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30.06.2018 RM'000	31.12.2017 RM'000
ASSETS			
Property and equipment		99,031	101,003
Intangible assets		25,231	22,740
Investment properties	9	23,730	23,730
Investments	10	1,406,486	1,352,794
Reinsurance assets	11	280,064	281,552
Insurance receivables	12	134,356	93,554
Other receivables	13	79,716	64,925
Tax recoverable		1,870	3,986
Cash and cash equivalents		89,836	77,407
TOTAL ASSETS		2,140,320	2,021,691
EQUITY AND LIABILITIES			
EQUITY			
Share capital		118,000	118,000
Available-for-sale reserves		21,764	31,063
Retained profits		682,087	652,636
TOTAL EQUITY		821,851	801,699
LIABILITIES			
Insurance contract liabilities	14	1,138,346	1,063,766
Deferred tax liabilities		4,030	6,698
Insurance payables	15	99,893	83,020
Other payables	16	76,200	66,508
TOTAL LIABILITIES		1,318,469	1,219,992
TOTAL EQUITY AND LIABILITIES		2,140,320	2,021,691

The accompanying notes form an integral part of these unaudited interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2018

	Note	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Gross earned premiums		399,603	387,620
Earned premiums ceded to reinsurers		(70,815)	(93,589)
Net earned premiums		328,788	294,031
Investment income		27,443	22,906
Net Realised gains/(losses)		3,377	986
Fair value gains/(losses)		591	(1,387)
Commission income		17,147	23,514
Other operating income		64	1,188
Other revenue		48,622	47,207
Gross claims paid	14(a)	(214,347)	(210,745)
Claims ceded to reinsurers	14(a)	43,084	37,347
Gross change in contract liabilities	14(a)	(36,562)	(2,107)
Change in contract liabilities ceded to reinsurers	14(a)	(4,212)	(17,226)
Net claims incurred		(212,037)	(192,731)
Commission expense		(53,229)	(50,270)
Management expenses		(77,236)	(64,137)
Other expenses		(130,465)	(114,407)
Profit before tax		34,908	34,100
Tax expense		(5,457)	(6,645)
Net profit for the period		29,451	27,455
Earnings per share			
- Basic and Diluted	17	25.0	23.3

The accompanying notes form an integral part of these unaudited interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 JUNE 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Net profit for the period	29,451	27,455
Other comprehensive income:		
Items that may be classified to income statement in subsequent periods:		
Available-for-sale fair value reserves :		
Net unrealised (losses)/gains on fair value changes	(16,405)	32,851
Realised gains/(losses) transferred to income statement upon disposal	4,169	595
	(12,236)	33,446
Tax effects	2,937	(8,027)
	(9,299)	25,419
Total comprehensive income for the period	20,152	52,874

The accompanying notes form an integral part of these unaudited interim financial statements.

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2018**

	<u>Non - distributable</u>		<u>Distributable</u>	
	Share capital RM'000	Available- for sale fair value reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2017	118,000	23,056	604,526	745,582
Profit for the period	-	-	27,455	27,455
Other comprehensive income for the period	-	25,419	-	25,419
Total comprehensive income for the period	-	25,419	27,455	52,874
At 30 June 2017	118,000	48,475	631,981	798,456
At 1 January 2018	118,000	31,063	652,636	801,699
Profit for the period	-	-	29,451	29,451
Other comprehensive income for the period	-	(9,299)	-	(9,299)
Total comprehensive income for the period	-	(9,299)	29,451	20,152
At 30 June 2018	118,000	21,764	682,087	821,851

The accompanying notes form an integral part of these unaudited interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
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UNAUDITED CASH FLOWS STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
<u>Operating activities</u>		
Cash flows from operating activities		
Profit before tax	34,907	34,100
Investment income	(27,638)	(24,688)
Realised gains on AFS investment	(3,318)	(774)
Fair value recorded in income statement	(5,720)	(415)
Gain on disposal of property and equipment	(59)	(206)
Property and equipment written off	3	2
Amortisation of premium	131	126
Impairment allowance for:		
Investment	5,129	1,802
Insurance receivables	1,871	831
Bad debts recovery	-	(12)
Depreciation on property and equipment	2,638	2,545
Amortisation on intangible assets	1,691	770
Operating cash flows before working capital changes	(25,272)	(20,019)
Increase in insurance receivable	(42,673)	(25,516)
(Increase)/decrease in other receivable	(13,916)	6,192
Decrease in reinsurance assets	1,489	22,705
Increase in LAR	(46,822)	(12,180)
Increase in insurance contract liabilities	74,582	21,169
Increase in insurance payable	16,873	11,631
Increase in other payable	9,847	2,071
	(620)	26,072
Dividend/distribution income received	16,843	14,829
Interest income received	8,851	8,826
Rental income received	1,067	1,088
Income tax paid	(3,228)	(7,252)
Net cash flows generated from operating activities	32,548	57,644

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UNAUDITED CASH FLOWS STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
<u>Investing activities</u>		
Cash flows generate from investment activities		
Purchases of property and equipment	(667)	(1,468)
Purchases of intangible assets	(4,183)	(6,818)
Proceeds from sale of property and equipment	59	224
Purchases of financial assets	(80,413)	(171,507)
Proceeds from sale of financial assets	65,085	92,568
Net cash flows used in investing activities	<u>(20,119)</u>	<u>(87,001)</u>
Net increase/(decrease) in cash and cash equivalents	12,429	(29,357)
Cash and cash equivalents at beginning of period	<u>77,407</u>	<u>121,383</u>
Cash and cash equivalents at end of period	<u>89,836</u>	<u>92,026</u>

The accompanying notes form an integral part of these unaudited interim financial statements.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reports as issued by Malaysia Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IAS") 34 Interim Financial Reporting as issued by International Accounting Standards Board ("IASB").

The unaudited interim financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the significant accounting policies.

As at the reporting date, the Company has met the minimal capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2017.

The notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2017, except for the adoption of the below which were effective for annual periods beginning on or after 1 January 2018.

- MFRS 9 Financial Instruments
- Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 140 Transfers of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for 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. This standard replaces MFRS 139 Financial Instruments; Recognition and Measurement.

The Company defers the adoption of MFRS 9 until it adopts the new Insurance Contracts Standard (MFRS 17) on 1 January 2021 as it meets the predominance criteria specified under the Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts as described below. The full assessment of the MFRS 9 will be performed for the financial year ended 31 December 2018.

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

The amendments to MFRS 4 was issued to address issues arising from the different effective dates of MFRS 9 and the new insurance contracts standard (MFRS 17). The amendments introduce two alternative options of applying MFRS 9 for entities issuing contracts within the scope of MFRS 4: a temporary exemption; and an overlay approach.

The Company opted to apply the temporary exemption from MFRS 9 and, therefore, continue to apply MFRS 139 to its financial assets and liabilities in its reporting period starting on 1 January 2018 until adoption of MFRS 17 in its reporting period starting on 1 January 2021.

The initial application of the above mentioned accounting standards, amendments and interpretations did not have any material impacts to the current period and prior period financial statements of the Company.

3. PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the interim financial period.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2018.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

5. MATERIAL EVENTS AFTER THE INTERIM PERIOD

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

6. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities by the Company in the current financial period ended 30 June 2018.

7. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOW

There were no other unusual items affecting assets, liabilities, equity, net income or cashflow for the financial period ended 30 June 2018.

For the purpose of the cash flow statements, cash and cash equivalents comprise of cash in hand and deposits held at financial institutions which matured within 3 months.

The cash flow statements are prepared using the indirect method.

8. DIVIDEND PAID

No dividend was paid during the current interim period ended 30 June 2018.

9. INVESTMENT PROPERTIES

	30.06.2018	31.12.2017
	RM'000	RM'000
At 1 January	23,730	18,030
Reclassification	-	2,147
Fair value adjustment	-	3,553
At 30 June / 31 December	<u>23,730</u>	<u>23,730</u>

Investment properties are stated at fair value based on valuations that reflect market conditions as at 31.12.2017, using comparison method. The company revalued its investment properties based on independent valuation performed by Hartanah consultants (Valuation) Sdn Bhd, an independent accredited valuer.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

10. INVESTMENTS

	30.06.2018	31.12.2017
	RM'000	RM'000
Malaysian government securities	9,942	5,054
Corporate bonds	292,069	302,427
Warrants	5,753	66
Equity securities	98,174	115,032
Unit trust funds	934,919	911,408
Deposits with financial institutions	65,629	18,807
	<u>1,406,486</u>	<u>1,352,794</u>

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

	30.06.2018	31.12.2017
	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	10,016	15,019
Available-for-sale financial assets ("AFS")	1,325,088	1,318,902
Financial assets at fair value through profit and loss ("FVTPL")	5,753	66
Loans and receivables ("LAR")	65,629	18,807
	<u>1,406,486</u>	<u>1,352,794</u>

(a) HTM financial assets

	30.06.2018	31.12.2017
	RM'000	RM'000
Amortised cost		
Corporate bonds	10,016	15,019
	<u>10,016</u>	<u>15,019</u>
Fair value		
Corporate bonds	9,778	14,806
	<u>9,778</u>	<u>14,806</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

10. INVESTMENTS (CONT'D)

(b) AFS financial assets

	30.06.2018	31.12.2017
	RM'000	RM'000
Fair value		
Equity securities:		
- Quoted in Malaysia	98,056	114,762
- Quoted outside Malaysia	-	152
Unit trust funds	934,919	911,408
Malaysian government securities	9,942	5,054
Corporate bonds	282,053	287,408
	<u>1,324,970</u>	<u>1,318,784</u>
Cost		
Equity securities:		
Unquoted in Malaysia	118	118
	<u>1,325,088</u>	<u>1,318,902</u>

(c) Financial assets at FVTPL

	30.06.2018	31.12.2017
	RM'000	RM'000
Held for trading ("HFT") : Warrants	<u>5,753</u>	<u>66</u>

(d) LAR

	30.06.2018	31.12.2017
	RM'000	RM'000
Amortised cost		
Deposits with licensed financial institutions	<u>65,629</u>	<u>18,807</u>

The carrying value of the deposits approximate fair value due to their relatively short term maturities.

11. REINSURANCE ASSETS

	30.06.2018	31.12.2017
	RM'000	RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 14 (a))	247,291	251,503
Premium liabilities (Note 14 (b))	32,772	30,049
	<u>280,063</u>	<u>281,552</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)
12. INSURANCE RECEIVABLES

	30.06.2018	31.12.2017
	RM'000	RM'000
Due from agents, brokers and co-insurers	139,779	96,102
Due from reinsurers and cedants	1,526	7,029
Due from related parties	8,095	3,595
Allowance for impairment losses	(15,044)	(13,172)
	<u>134,356</u>	<u>93,554</u>

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2017	1,521	13,442	14,963
Allowance for /(write back of) impairment loss	625	(2,416)	(1,791)
Reversal of allowance for impairment losses	-	(91)	(91)
Bad debts written-off net of recovery	-	91	91
At 31 December 2017	<u>2,146</u>	<u>11,026</u>	<u>13,172</u>
At 1 January 2018	2,146	11,026	13,172
Allowance for impairment loss	106	1,766	1,872
Reversal of allowance for impairment losses	-	-	-
Bad debts written-off net of recovery	-	-	-
At 30 June 2018	<u>2,252</u>	<u>12,792</u>	<u>15,044</u>

13. OTHER RECEIVABLES

	30.06.2018	31.12.2017
	RM'000	RM'000
Other receivables and deposits	15,957	7,713
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (Net*)	51,128	53,403
Staff loans	21	30
Interest income due and accrued	12,171	3,514
Due from related parties	439	265
	<u>79,716</u>	<u>64,925</u>

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of net assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 14.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)
14. INSURANCE CONTRACT LIABILITIES

	Note	30.06.2018			31.12.2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		512,624	(174,252)	338,372	489,702	(180,652)	309,050
Provision for IBNR		250,340	(73,039)	177,301	236,700	(70,851)	165,849
Claim liabilities	(a)	762,964	(247,291)	515,673	726,402	(251,503)	474,899
Premium liabilities	(b)	375,382	(32,772)	342,610	337,364	(30,049)	307,315
Insurance contract liabilities		1,138,346	(280,063)	858,283	1,063,766	(281,552)	782,214

(a) Claim liabilities

At 1 January		726,402	(251,503)	474,899	651,516	(208,667)	442,849
Claims incurred for the all accident period		250,909	(38,872)	212,037	522,544	(113,212)	409,332
Adjustment to claims incurred in all accident years (direct & facultative)		250,409	(41,289)	209,120	520,725	(110,947)	409,778
Movement in MMIP		(2,436)	-	(2,436)	(7,687)	-	(7,687)
Claims incurred during the period (treaty inwards claims)		(288)	-	(288)	(305)	-	(305)
Movement in Fund PRAD of claims liabilities at 75% confidence level		2,228	2,417	4,645	7,137	2,265	9,402
Movement in claims handling expenses		996	-	996	2,674	-	2,674
Claims paid during the period		(214,347)	43,084	(171,263)	(447,658)	70,376	(377,282)
At 30 June / 31 December		762,964	(247,291)	515,673	726,402	(251,503)	474,899

(b) Premium liabilities

At 1 January		337,364	(30,049)	307,315	331,219	(38,120)	293,099
Premiums written during the period		437,621	(73,538)	364,083	776,228	(164,042)	612,186
Premiums earned during the period		(399,603)	70,815	(328,788)	(770,083)	172,113	(597,970)
At 30 June / 31 December		375,382	(32,772)	342,610	337,364	(30,049)	307,315

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

15. INSURANCE PAYABLES

	30.06.2018	31.12.2017
	RM'000	RM'000
Amount due to agents, brokers, insureds and co-insurers	69,160	33,677
Amount due to reinsurers and ceding companies	26,101	45,755
Amount due to related parties	4,632	3,588
	<u>99,893</u>	<u>83,020</u>

16. OTHER PAYABLES

	30.06.2018	31.12.2017
	RM'000	RM'000
Accrued liabilities	33,712	40,317
Other payables	14,956	1,553
Cash collaterals held on behalf of insured	5,019	5,833
Unallocated deposit	18,200	17,830
Amount due to related parties	4,313	975
	<u>76,200</u>	<u>66,508</u>

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial period.

	30.06.2018	30.06.2017
Net profit for the period (RM'000)	29,451	27,455
Number of ordinary shares in issue ('000)	118,000	118,000
Earnings per share (sen)	<u>25.0</u>	<u>23.3</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

18. RELATED PARTY TRANSACTIONS

The significant related party transactions during the period are as follows:

	30.06.2018	30.06.2017
	RM'000	RM'000
Income		
Premium income	19,813	19,113
Commission received	5,019	5,224
Claims recovery	6,140	2,397
	<u>30,972</u>	<u>26,734</u>
Expenditure		
Ceded premium	15,964	23,020
Brokerage paid	2,106	2,658
Expenses net of recoveries	1,592	1,176
	<u>19,662</u>	<u>26,854</u>

19. FAIR VALUE HIERARCHY

The table below analyse assets which are carried at fair value and assets for which fair value is disclosed according to their fair value hierarchy, defined as follows:

i. Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities

ii. Level 2

Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable

iii. Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

19. FAIR VALUE HIERARCHY (CONT'D.)

	30.06.2018				31.12.2017			
	Fair value measurement using:				Fair value measurement using:			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets								
Assets for which fair values are disclosed:								
HTM								
Corporate bonds	-	9,778	-	9,778	-	14,806	-	14,806
	-	9,778	-	9,778	-	14,806	-	14,806
Assets measured at fair value: on a recurring basis:								
Investment properties	-	-	23,730	23,730	-	-	23,730	23,730
FVTPL								
Warrants	5,753	-	-	5,753	66	-	-	66
AFS								
Equity securities	98,056	-	-	98,056	114,914	-	-	114,914
Unit trust funds	934,919	-	-	934,919	911,408	-	-	911,408
Corporate bonds		282,053	-	282,053	-	287,408	-	287,408
Malaysian government securities		9,942	-	9,942	-	5,054	-	5,054
	1,038,728	291,995	23,730	1,354,453	1,026,388	292,462	23,730	1,342,580

There has been no transfer between level 1 and level 2 fair values during the period.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. CAPITAL COMMITMENT

	30.06.2018	31.12.2017
	RM'000	RM'000
Capital Expenditure approved and contracted for :		
Property, plant and equipment	541	205
Intangible assets	8,197	9,588
	<u>8,738</u>	<u>9,793</u>

21. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital Framework issued by Bank Negara Malaysia, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.
The capital structure of the Company as at 30 June 2018, as prescribed under the RBC Framework is provided below:

	30.06.2018	31.12.2017
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	118,000	118,000
Retained earnings	682,087	652,636
	<u>800,087</u>	<u>770,636</u>
Tier 2 Capital		
AFS fair value reserves	<u>21,764</u>	<u>31,063</u>
Deductions		
Intangible assets	<u>(25,231)</u>	<u>(22,740)</u>
Total capital available	<u>796,620</u>	<u>778,959</u>

22. SIGNIFICANT AND SUBSEQUENT EVENT

As reported in the company's audited financial statements for the financial year ended 31 December 2017, Malaysian Competition Commission ("MYCC") had issued a proposed decision on 22 members of PIAM with a proposed financial penalty of RM213,454,814 due to alleged of Competition Act, 2010, on 22 February 2017. All members had submitted their written representation. MYCC also conducted the sessions for oral representation with PIAM, all members and BNM since late 2017 until 26 February 2018.

There has not been any further development on the above case following the oral representation sessions with all the parties concerned.