

TAKAFUL IKHLAS SDN. BHD.
(593075-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2008

Ernst & Young
AF : 0039

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

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TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the managing of general and family takaful businesses. During the financial year, the Company commenced the management of investment-linked takaful business. Other than as stated above, there have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Net profit for the year	<u>1,035,128</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

PROVISION FOR OUTSTANDING CLAIMS

Before the income statement and balance sheet were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement and balance sheet were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

CONTINGENT AND OTHER LIABILITIES (CONTD.)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet their obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of takaful effected/underwritten in the ordinary course of business of the Company.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES

There were no changes in the issued and paid-up share capital of the Company during the financial year.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia, and the principles of Shari'ah.

CORPORATE GOVERNANCE (CONTD.)

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised by the Company. This is a fundamental part in discharging their responsibilities to protect and enhance stakeholders' value and the financial performance of the Company.

Board of Directors

The Board presently has six members, comprising two Independent Non-Executive Directors, three Non-Independent Non-Executive Directors and a Non-Independent Executive Director. Together the directors bring a wide range of business, financial and management experience relevant in charting the strategic direction of the Company.

During the financial year, eleven Board meetings were held. Details of the Directors' attendance at the Board meetings during the financial year are disclosed hereunder:

Attendance of Directors at Board meetings held during the financial year:

<u>Directors</u>	<u>Attendance at Board Meetings</u>
Tuan Haji Mohammad bin Abdullah	11/11
Tuan Haji Syed Moheeb bin Syed Kamarulzaman	11/11
Tuan Haji Anuar bin Mohd. Hassan	11/11
Encik Mustaffa bin Ahmad	11/11
Y. Bhg. Dato' Haji Othman bin Hashim	10/11
Tuan Haji Halim bin Haji Din	9/11

The Board has delegated specific responsibilities to the Audit, Nomination, Remuneration, Investment and Risk Management Committees of the Board.

Audit Committee

The Audit Committee comprises two independent non-executive directors and one non-independent non-executive director. The membership of the Committee is as follows:

Tuan Haji Halim bin Haji Din - Chairman
 Y. Bhg. Dato' Haji Othman bin Hashim
 Encik Mustaffa bin Ahmad

CORPORATE GOVERNANCE (CONTD.)**Audit Committee (Contd.)**

The terms of reference of the Audit Committee include ensuring the independent operations of the internal audit department with appropriate job scope to provide assurance that the Company's goals and objectives are achieved. The Committee is also charged with the responsibility of ensuring a proper system of internal controls is in place in order to ensure that the assets of the Company are safeguarded. The Audit Committee also reviews and makes recommendations to the Board on the annual financial statements, internal and external audit reports, and any disclosures of related party transactions. The Committee is also the key liaison between the Board and the external auditors of the Company, and their involvement includes discussions and review of the external audit plans, management letters and audited annual financial statements. It is also the duty of the Committee to recommend the appointment and/or re-appointment of the external auditors of the Company.

The Audit Committee met five times during the financial year.

Attendance of Directors at Audit Committee meetings held during the financial year:

<u>Directors</u>	<u>Attendance at Audit Committee Meetings</u>
Tuan Haji Halim bin Haji Din	5/5
Encik Mustaffa bin Ahmad	5/5
Y. Bhg. Dato' Haji Othman bin Hashim	4/5

Nomination Committee

The Nomination Committee comprises two independent non-executive directors, two non-independent non-executive directors and one non-independent executive director. The membership of the Committee is as follows:

Tuan Haji Halim bin Haji Din - Chairman
 Tuan Haji Anuar bin Mohd. Hassan
 Encik Mustaffa bin Ahmad
 Y. Bhg. Dato' Haji Othman bin Hashim
 Tuan Haji Syed Moheeb bin Syed Kamarulzaman

The primary objective of this Committee is to establish a documented, formal and transparent procedure for the appointment of directors, principal officer and key senior officers and to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the principal officer and key senior officers.

The Nomination Committee met twice during the financial year.

CORPORATE GOVERNANCE (CONTD.)**Nomination Committee (contd.)**

Attendance of Directors at the Nomination Committee meeting held during the financial year:

<u>Directors</u>	<u>Attendance at Nomination Committee Meetings</u>
Tuan Haji Halim bin Haji Din	2/2
Tuan Haji Anuar bin Mohd. Hassan	2/2
Encik Mustaffa bin Ahmad	2/2
Y. Bhg. Dato' Haji Othman bin Hashim	2/2
Tuan Haji Syed Moheeb bin Syed Kamarulzaman	2/2

Remuneration Committee

The Remuneration Committee comprises one independent non-executive director, three non-independent non-executive directors and one non-independent executive director. The membership of the Committee is as follows:

Y. Bhg. Dato' Haji Othman bin Hashim - Chairman
 Tuan Haji Mohammad bin Abdullah
 Tuan Haji Anuar bin Mohd. Hassan
 Encik Mustaffa bin Ahmad
 Tuan Haji Syed Moheeb bin Syed Kamarulzaman

The primary objective of the Committee is to provide a formal and transparent procedure for developing a remuneration policy for directors, principal officers and key senior officers and ensuring that their compensation is competitive and consistent with the takaful operator's culture, objectives and strategy.

The Remuneration Committee met once during the financial year.

Attendance of Directors at the Remuneration Committee meeting held during the financial year:

<u>Directors</u>	<u>Attendance at Remuneration Committee Meetings</u>
Y. Bhg. Dato' Haji Othman bin Hashim	1/1
Tuan Haji Mohammad bin Abdullah	1/1
Tuan Haji Anuar bin Mohd. Hassan	1/1
Encik Mustaffa bin Ahmad	1/1
Tuan Haji Syed Moheeb bin Syed Kamarulzaman	1/1

CORPORATE GOVERNANCE (CONTD.)**Investment Committee**

The Investment Committee comprises three non-independent non-executive directors and one non-independent executive director. The membership of the Committee is as follows:

Tuan Haji Mohammad bin Abdullah - Chairman
 Tuan Haji Anuar bin Mohd. Hassan
 Encik Mustaffa bin Ahmad
 Tuan Haji Syed Moheeb bin Syed Kamarulzaman

This Committee oversees, guides and monitors the investment operations of the Company as well as approves recommended investment related transactions. The Committee is also responsible to note and approve specific transactions of a nature, by regulation, that require awareness of and sanctioning by the Board of Directors.

The Investment Committee met four times during the financial year.

Attendance of Directors at Investment Committee meetings held during the financial year:

<u>Directors</u>	<u>Attendance at Investment Committee Meetings</u>
Tuan Haji Mohammad bin Abdullah	4/4
Tuan Haji Anuar bin Mohd. Hassan	4/4
Encik Mustaffa bin Ahmad	4/4
Tuan Haji Syed Moheeb bin Syed Kamarulzaman	4/4

Risk Management Committee

The Risk Management Committee comprises one independent, non-executive director and two non-independent, non-executive directors. The membership of the Committee is as follows:

Y. Bhg. Dato' Haji Othman bin Hashim - Chairman
 Tuan Haji Anuar bin Mohd. Hassan
 Encik Mustaffa bin Ahmad

The Risk Management Committee reviews and recommends risk management strategies, policies and risk tolerance limits for the Board's approval. The Committee reviews the progress and assesses the effectiveness and adequacy of the risk management policies and framework adopted by the Company for identifying, measuring, monitoring and controlling risks within the Company. The Committee also reviews the adequacy and effectiveness of the infrastructure, resources and systems in place to ensure effective and timely reporting of risk management activities.

CORPORATE GOVERNANCE (CONTD.)**Risk Management Committee (contd.)**

The Risk Management Committee met five times during the financial year.

Attendance of Directors at Risk Management Committee meetings held during the financial year:

<u>Directors</u>	<u>Attendance at Risk Management Committee Meetings</u>
Y. Bhg. Dato' Haji Othman bin Hashim	5/5
Tuan Haji Anuar bin Mohd. Hassan	4/5
Encik Mustaffa bin Ahmad	4/5

DIRECTORS

The directors who served since the date of the last report and at the date of this report are:

Tuan Haji Mohammad bin Abdullah - Chairman
 Tuan Haji Syed Moheeb bin Syed Kamarulzaman - Managing Director
 Tuan Haji Anuar bin Mohd. Hassan
 Encik Mustaffa bin Ahmad
 Y. Bhg. Dato' Haji Othman bin Hashim
 Tuan Haji Halim bin Haji Din

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, save for the options to subscribe for ordinary shares in the holding company under the Employees' Share Option Scheme ("ESOS") granted to certain directors, as disclosed in the Directors' Interests note below.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary and benefits receivable as a full time employee of the Company as disclosed in Note 15 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the holding company during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			As at 31 March 2007
	As at 1 April 2006	Bought/ Exercised	Sold	
Holding Company				
Direct Interest:				
Tuan Haji Mohammad bin Abdullah	10,000	-	-	10,000
Tuan Haji Anuar bin Mohd. Hassan	25,000	400,000	225,000	200,000
Encik Mustaffa bin Ahmad	20,000	350,000	200,000	170,000

In addition to the above, the following directors are deemed to have interest in shares in the holding company to the extent of the share options granted to them, pursuant to the ESOS of the holding company which was implemented on 25 July 2003 as follows:

	Exercise Price RM	Number of Share Options Under Holding Company's ESOS of RM1.00 each			At 31 March 2007
		At 1 April 2006	Granted	Exercised	
Tuan Haji Anuar bin Mohd. Hassan					
Granted on:					
- 19 August 2003	2.87	200,000	-	100,000	100,000
- 24 May 2004	2.84	300,000	-	300,000	-
		<u>500,000</u>	<u>-</u>	<u>400,000</u>	<u>100,000</u>
Encik Mustaffa bin Ahmad					
- 19 August 2003	2.87	110,000	-	110,000	-
- 24 May 2004	2.84	240,000	-	240,000	-
		<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its holding company during the financial year.

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ULTIMATE HOLDING COMPANY

The directors regard MNRB Holdings Berhad, a company incorporated in Malaysia, as the Company's ultimate holding company.

AUDITORS

The auditors, Ernst & Young, retire and have expressed their willingness to accept re-appointment

Signed on behalf of the Board in accordance with a resolution of the directors

Mohammad bin Abdullah

Anuar bin Mohd. Hassan

Kuala Lumpur, Malaysia
22 May 2007

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Mohammad bin Abdullah and Anuar bin Mohd. Hassan, being two of the directors of Takaful Ikhlas Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 69 are properly drawn up to give a true and fair view of the state of affairs of the Company as at 31 March 2007 and of the results and cash flows for the year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable Financial Reporting Standards in Malaysia and in compliance with the Shari'ah requirements.

Signed on behalf of the Board in accordance with a resolution of the directors

Mohammad bin Abdullah

Anuar bin Mohd. Hassan

Kuala Lumpur, Malaysia
22 May 2007

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Syed Moheeb bin Syed Kamarulzaman, being the director primarily responsible for the financial management of Takaful Ikhlas Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 69 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Syed Moheeb bin Syed
Kamarulzaman at Kuala Lumpur in
Wilayah Persekutuan on 22 May 2007

Syed Moheeb bin Syed Kamarulzaman

Before me,

Commissioner for Oaths

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**REPORT OF THE AUDITORS TO THE MEMBER OF
TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 14 to 69. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 31 March 2007 and of the results and the cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/08(J)
Partner

Kuala Lumpur, Malaysia
22 May 2007

REPORT OF THE SHARI'AH COMMITTEE

The members of the Shari'ah Committee who served since the date of the last report and the date of this report are:

Y. Bhg. Dato' Haji Mohd Mokhtar bin Shafii - Chairman
Tuan Haji Nik Moustpha bin Nik Hassan
Professor Dr. Ahmad Hidayat bin Buang
Dr. Mohd Ma'sum Billah

The Committee met three times during the financial year. The attendance of members at the Shari'ah Committee held during the financial year is as follows:

Attendance of members at Shari'ah Committee meetings held during the financial year:

<u>Members</u>	<u>Attendance at Shari'ah Committee Meetings</u>
Y Bhg Dato' Haji Mohd Mokhtar bin Shafii	3/3
Tuan Haji Nik Moustpha bin Nik Hassan	3/3
Professor Dr Ahmad Hidayat bin Buang	2/3
Dr. Mohd Ma'sum Billah	2/3

Statement by Shari'ah Committee Members

We, Dato' Mohd Mokhtar bin Shafii and Professor Dr Ahmad Hidayat bin Buang, being two of the members of the Shari'ah Committee of Takaful Ikhlas Sdn Bhd, do hereby confirm on behalf of the members of the Committee that in our opinion, the operations of the Company's business for the financial year ended 31 March 2007 have been conducted in conformity with the Shari'ah requirements.

Signed on behalf of the Shari'ah Committee

Dato' Mohd. Mokhtar bin Shafii

Professor Dr Ahmad Hidayat bin Buang

Kuala Lumpur, Malaysia
22 May 2007

TAKAFUL IKHLAS SDN. BHD.
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BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 RM	2006 RM
ASSETS			
Shareholder's fund assets			
Property, plant and equipment	3	5,106,840	4,385,567
Intangible assets	4	3,044,576	1,479,612
Investments	5	53,702,855	50,928,144
Other receivables	7	5,591,244	4,779,549
Deferred tax assets	8	1,287,280	-
Due from:			
General takaful fund	11	3,007,402	4,631,542
Family takaful fund	11	11,650,769	12,368,896
Investment linked fund		7,000	-
Tax recoverable		13,200	12,100
Cash and bank balances		170,300	36,387
Total shareholder's fund assets		<u>83,581,466</u>	<u>78,621,797</u>
Total general takaful fund assets (page 18)		76,820,914	54,370,394
Total family takaful fund assets (page 21)		<u>183,887,267</u>	<u>83,703,141</u>
Total assets		<u><u>344,289,647</u></u>	<u><u>216,695,332</u></u>
LIABILITIES			
Shareholder's fund liabilities			
Due to agents, retakaful operators and brokers		5,192,596	1,631,700
Zakat		13,868	3,867
Provision for tax		1,732,951	-
Other payables	10	4,972,138	6,330,355
Due to holding company	12	3,618	24,708
Total shareholder's fund liabilities		<u>11,915,171</u>	<u>7,990,630</u>
Total general takaful fund liabilities (page 18)		42,442,946	32,177,548
Total family takaful fund liabilities (page 21)		<u>28,591,301</u>	<u>20,807,304</u>
Total liabilities		<u><u>82,949,418</u></u>	<u><u>60,975,482</u></u>
EQUITY			
Share capital	13	100,000,000	100,000,000
Accumulated losses		<u>(28,333,705)</u>	<u>(29,368,833)</u>
Total shareholder's equity		<u><u>71,666,295</u></u>	<u><u>70,631,167</u></u>

TAKAFUL IKHLAS SDN. BHD.
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BALANCE SHEET AS AT 31 MARCH 2007 (CONTD)

	Note	2007 RM	2006 RM
TAKAFUL FUNDS			
General takaful fund	21	34,377,968	22,192,846
Family takaful fund	22	149,686,168	62,895,837
Investment linked fund	23	5,609,798	-
Total takaful funds		<u>189,673,934</u>	<u>85,088,683</u>
Total liabilities, shareholder's equity and takaful funds		<u>344,289,647</u>	<u>216,695,332</u>

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

TAKAFUL IKHLAS SDN. BHD.
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INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 RM	2006 RM
Operating revenue	14	77,504,460	57,774,544
Shareholder's funds:			
Al Wakalah (deficit)/surplus arising from operations of:			
General takaful fund	15	(5,093,123)	(1,250,651)
Family takaful fund	15	8,007,049	2,069,893
Surplus administration charges transferred from takaful funds:			
General takaful fund (page 20)		1,225,745	-
Family takaful fund (page 22)		1,443,711	444,653
Management expenses	16	(2,274,665)	(3,231,829)
Investment income	14	2,518,785	2,847,958
Net other operating expenses	17	(4,336,703)	(456,415)
Profit before zakat and taxation		1,490,799	423,609
Taxation	18	(445,671)	-
Zakat	2(k)	(10,000)	(6,994)
Net profit for the year		1,035,128	416,615
Earnings per share - basic (sen)	20	1.04	0.42

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

TAKAFUL IKHLAS SDN. BHD.
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Share Capital RM	Accumulated Losses RM	Total RM
At 31 March 2005		100,000,000	(29,785,448)	70,214,552
Net profit for the year		-	416,615	416,615
At 31 March 2006		100,000,000	(29,368,833)	70,631,167
Net profit for the year		-	1,035,128	1,035,128
At 31 March 2007		100,000,000	(28,333,705)	71,666,295

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

TAKAFUL IKHLAS SDN. BHD.
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GENERAL TAKAFUL FUND BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 RM	2006 RM
ASSETS			
Investments	5	55,233,295	43,348,697
Trade receivables	6	13,683,029	8,966,294
Other receivables	7	857,176	324,430
Cash and bank balances		7,047,414	1,730,973
Total general takaful fund assets (page 14)		<u>76,820,914</u>	<u>54,370,394</u>
LIABILITIES			
Provision for outstanding claims	9	32,349,346	23,875,404
Due to retakaful operators and co-insurers		2,132,745	428,217
Other payables	10	4,953,453	3,242,385
Due to shareholder's fund	11	3,007,402	4,631,542
Total general takaful fund liabilities (page 14)		<u>42,442,946</u>	<u>32,177,548</u>
General takaful fund	21	<u>34,377,968</u>	<u>22,192,846</u>
Total liabilities and general takaful fund		<u>76,820,914</u>	<u>54,370,394</u>

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

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Total		Fire		Motor		Marine, Aviation & Transit		Miscellaneous	
		2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Operating revenue	14	<u>69,749,732</u>	<u>55,244,789</u>								
Gross contribution	14	67,851,708	54,578,728	6,588,439	4,294,238	53,982,999	46,719,569	605,888	390,852	6,674,382	3,174,069
Less: Retakaful		<u>(7,621,427)</u>	<u>(4,543,563)</u>	<u>(3,331,480)</u>	<u>(2,244,308)</u>	<u>(1,581,682)</u>	<u>(1,078,168)</u>	<u>(447,206)</u>	<u>(52,614)</u>	<u>(2,261,059)</u>	<u>(1,168,473)</u>
Net contribution		60,230,281	50,035,165	3,256,959	2,049,930	52,401,317	45,641,401	158,682	338,238	4,413,323	2,005,596
(Increase) / decrease in unearned contribution reserves	24	<u>(10,101,300)</u>	<u>(7,989,107)</u>	<u>(2,253,741)</u>	230,083	<u>(5,400,826)</u>	<u>(8,194,967)</u>	<u>(43,984)</u>	<u>(166,707)</u>	<u>(2,402,749)</u>	142,484
Earned contribution		<u>50,128,981</u>	<u>42,046,058</u>	<u>1,003,218</u>	<u>2,280,013</u>	<u>47,000,491</u>	<u>37,446,434</u>	<u>114,698</u>	<u>171,531</u>	<u>2,010,574</u>	<u>2,148,080</u>
Net claims incurred	25	(31,008,259)	(27,367,774)	(1,158,139)	(1,116,375)	(28,281,153)	(25,321,014)	(54,313)	(139,688)	(1,514,654)	(790,697)
Commission on retakaful ceded		<u>1,047,733</u>	<u>527,766</u>	<u>607,202</u>	<u>360,894</u>	<u>11,424</u>	<u>6,241</u>	<u>17,569</u>	<u>5,130</u>	<u>411,538</u>	<u>155,501</u>
		<u>(29,960,526)</u>	<u>(26,840,008)</u>	<u>(550,937)</u>	<u>(755,481)</u>	<u>(28,269,729)</u>	<u>(25,314,773)</u>	<u>(36,744)</u>	<u>(134,558)</u>	<u>(1,103,116)</u>	<u>(635,196)</u>
Underwriting surplus		<u>20,168,455</u>	<u>15,206,050</u>	<u>452,281</u>	<u>1,524,532</u>	<u>18,730,762</u>	<u>12,131,661</u>	<u>77,954</u>	<u>36,973</u>	<u>907,458</u>	<u>1,512,884</u>

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007 (CONTD.)

	Note	Total	
		2007	2006
		RM	RM
Underwriting surplus brought forward		20,168,455	15,206,050
Al Wakalah fees	15	(18,136,365)	(16,706,537)
Investment income	14	1,898,024	666,062
Provision for doubtful debts		(314,088)	(1,052,500)
Net other operating expenses	17	(212,348)	(318,723)
Taxation	18	-	-
Surplus administration charges transferred to shareholder's fund (page 16)		<u>(1,225,745)</u>	<u>-</u>
Surplus/(deficit) transferred to general takaful fund	21	<u>2,177,933</u>	<u>(2,205,648)</u>

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

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 RM	2006 RM
ASSETS			
Investments	5	153,296,287	72,418,278
Trade receivables	6	17,447,996	9,036,763
Other receivables	7	2,286,908	468,419
Cash and bank balances		4,908,670	1,779,681
Investment-linked business assets	23	5,947,406	-
Total family takaful fund assets (page 14)		<u>183,887,267</u>	<u>83,703,141</u>
LIABILITIES			
Provision for outstanding claims	9	5,767,052	3,588,397
Due to retakaful operators and co-insurers		1,310,254	111,338
Other payables	10	9,525,618	4,738,673
Due to shareholder's fund	11	11,650,769	12,368,896
Investment-linked business liabilities	23	337,608	-
Total family takaful fund liabilities (page 14)		<u>28,591,301</u>	<u>20,807,304</u>
Family takaful fund	22	149,686,168	62,895,837
Investment linked fund	23	5,609,798	-
Total Family takaful fund		<u>155,295,966</u>	<u>62,895,837</u>
Total liabilities and family takaful fund		<u>183,887,267</u>	<u>83,703,141</u>

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

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

FAMILY TAKAFUL REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 RM	2006 RM
Revenue	14	<u>160,202,043</u>	<u>93,169,358</u>
Gross contribution	14	156,054,032	92,113,960
Retakaful		<u>(1,517,888)</u>	<u>(487,621)</u>
Net contribution		154,536,144	91,626,339
Benefits paid and payable:			
Death		(6,748,569)	(6,021,971)
Surrender		(723,412)	(155,989)
Medical		(3,011,009)	(1,044,641)
Others		(1,731,725)	(1,021,452)
Al Wakalah fees	15	<u>(56,832,140)</u>	<u>(38,220,049)</u>
Underwriting surplus		85,489,289	45,162,237
Investment income	14	3,490,608	1,055,398
Provision for doubtful debts		106,946	(299,926)
Net other operating expenses	17	<u>(852,801)</u>	<u>(355,832)</u>
Surplus before taxation		88,234,042	45,561,877
Taxation	18	<u>-</u>	<u>-</u>
Surplus for the year		88,234,042	45,561,877
Surplus administration charges transferred to shareholder's fund (page 16)		<u>(1,443,711)</u>	<u>(444,653)</u>
		86,790,331	45,117,224
Family takaful fund at beginning of year		62,895,837	18,644,721
Decrease in Qardhul Hasan		-	(866,108)
Family takaful fund at end of year	22	<u>149,686,168</u>	<u>62,895,837</u>

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

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and taxation		1,490,799	423,609
Adjustments for:			
Depreciation		1,687,322	1,611,667
Amortisation of intangible assets		483,938	1,506,297
Property, plant and equipment written off		103,405	113,865
Net accretion of discounts		(1,278,883)	(471,833)
Profit on investment accounts		(6,628,534)	(4,097,585)
Loss on disposal of investments		-	34,470
Provision for diminution in value		4,336,703	1,096,500
Provision for bad and doubtful debts		207,142	1,352,426
Increase in unearned contribution reserve		10,101,300	7,989,107
Surplus/(deficit) in general takaful fund		2,177,933	(2,205,648)
Increase in family takaful fund		86,790,331	44,251,116
Increase in net investment-linked assets		5,609,798	-
Operating profit before working capital changes		<u>105,081,254</u>	<u>51,603,991</u>
Purchase of investments		(55,669,497)	(40,048,101)
Increase in placements		(49,300,000)	(27,504,989)
(Increase)/decrease in loans receivable		(335,839)	222,775
Increase in receivables		(13,796,730)	(9,063,566)
Increase in outstanding claims		10,652,597	17,590,807
Increase in payables		10,972,331	7,091,078
Net change in balance with holding company		<u>(21,090)</u>	<u>20,395</u>
		7,583,026	(87,610)
Investment income received		5,652,430	3,956,970
Hibah paid to participants		(94,111)	-
Taxes paid		(1,100)	(12,100)
Zakat paid		-	(3,126)
Net cash generated from operating activities	23	<u>13,140,245</u>	<u>3,854,134</u>

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006 (CONTD.)

	Note	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property, plant & equipment		(2,512,000)	(2,382,173)
Purchase of intangible assets		(2,048,902)	(1,228,523)
Net cash used in investing activities	23	<u>(4,560,902)</u>	<u>(3,610,696)</u>
CASH AND CASH EQUIVALENTS:			
NET INCREASE		8,579,343	243,438
AT BEGINNING OF YEAR		3,547,041	3,303,603
AT END OF YEAR		<u>12,126,384</u>	<u>3,547,041</u>
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		170,300	36,387
General takaful fund		7,047,414	1,730,973
Family takaful fund		4,908,670	1,779,681
		<u>12,126,384</u>	<u>3,547,041</u>

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

TAKAFUL IKHLAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. CORPORATE INFORMATION

The Company is engaged principally in the managing of general and family takaful businesses. During the financial year, the Company commenced the management of investment-linked takaful business. Other than as stated above, there have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 9th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The holding and ultimate holding company is MNRB Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 May 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Company also comply with the Takaful Act, 1984, Guidelines and Circulars issued by Bank Negara Malaysia ("BNM"), and where applicable, are modified to comply with the principles of Shari'ah.

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods on or after 1 January 2006 or available for early adoption as disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(a) Property, Plant & Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Computer equipment	33 1/3%
Office equipment	15%
Furniture and fittings	15%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

Only assets costing above RM300 will be capitalised. Assets costing RM300 and below are charged to the income statement in the month of purchase. Assets costing more than RM300 up to a maximum of RM1,000 are written down to RM1.00 in the month of purchase. The write down is charged to the income statement as depreciation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(b) Investments

Approved Investments

Approved investments as specified by BNM and unquoted corporate debt securities that are secured or which carry a minimum rating of "BBB" or "P3" are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a constant yield basis, from the dates of purchase to maturity dates. Any other corporate debt security with a lower rating is valued at the lower of cost and market value. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

Investments of investment linked fund

Investments of the investment linked fund are stated at closing market prices at the balance sheet date. Unrealised gains and losses on these investments are taken into the investment linked fund income statement.

Golf Club Membership

Golf club membership is stated at cost less provision for any diminution in value. Such provision is made when there is a decline other than temporary in the value of the golf club membership and is recognised as an expense in the period in which the decline occurred.

On disposal of investments, the difference between net disposal proceeds and the carrying amount is recognised in the income statement and/or revenue accounts.

(c) General Takaful Fund

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves and any surplus/deficit arising during the year. Underwriting deficit will be made good by the shareholder's fund via a benevolent loan or Qardhul Hasan.

Surplus is distributable to the shareholder and participants in accordance with the terms and conditions prescribed by the Shari'ah Advisory Body of the Company. The general takaful underwriting surplus is determined after deducting retakaful, commissions, unearned contribution reserves, net claims incurred, expenses, taxation and surplus administration charges transferred to the shareholder's fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(c) General Takaful Fund (contd.)

General takaful revenue consists of gross contributions and investment income. Revenue is accounted for on an accrual basis as approved by the Company's Shari'ah Advisory Body. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

(i) Contribution income

Contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shari'ah. Contributions are recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

(ii) Unearned contribution reserves

The Unearned Contribution Reserves ("UCR") represent the portion of net contribution income of takaful certificates written that relate to the unexpired periods of certificates at the end of the financial year. In determining the UCR at the balance sheet date, the method that most accurately reflects the actual unearned contribution is used as follows:

- 1/365th method for all classes of general takaful business within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, aviation and marine hull	15%
Marine cargo	15%
Miscellaneous	20%

- Non-annual certificates are time apportioned over the period of the takaful certificates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(c) General Takaful Fund (contd.)

(iii) Provision for claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the obligation at the balance sheet date.

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on market claims ratios for each class of business.

(iv) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Commission expenses are borne by the general takaful fund in the general takaful revenue account at an agreed percentage of the gross contribution. This is in accordance with the principles of Wakalah as approved by the Shari'ah Advisory Body and as agreed between the participants and the Company.

(d) Family Takaful Fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants.

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardhul Hasan. Surplus distributable to participants is determined after deducting benefits paid and payable, retakaful, provisions, reserves, commissions, management expenses, taxation and surplus administration charges transferred to the shareholder's fund. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions prescribed by the Shari'ah Advisory Body of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(d) Family Takaful Fund (Contd.)

Family takaful revenue consists of gross contributions and investment income. Revenue is accounted for on accrual basis and as approved by the Company's Shari'ah Advisory Body. Unrealised income is deferred and receipts in advance are treated as liabilities on the balance sheet.

(i) Contribution income

Contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shari'ah. First contribution is recognised on assumption of risks and subsequent contributions are recognised on due dates. Contributions outstanding at balance sheet date is recognised as income for the period provided they are within the grace period allowed for payment and there are sufficient funds available in the participants' accounts to cover such contributions due.

(ii) Provision for claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified.

Claims and provisions for claims arising on family takaful certificates, including settlement costs, are accounted for using the case basis method, and for this purpose, the benefits payable under a takaful certificate are recognised as follows:

- (a) maturity or other certificate benefit payments due on specified dates are treated as claims payable on due dates;
- (b) death, surrender and other benefits without due dates are treated as claims payable on receipt of intimation of death of the certificate holder or occurrence of contingency covered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(d) Family Takaful Fund (Contd.)

(iii) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from retakaful in the course of ceding contributions to retakaful operators are charged to the family takaful revenue account, in the period in which they are incurred. Commission expenses are borne by the family takaful fund in the family takaful revenue account at an agreed percentage for each certificate underwritten. This is in accordance with the principles of Wakalah as approved by the Shari'ah Advisory Body and is as agreed between the participants and the Company.

(e) Al Wakalah Surplus/Deficit

Al Wakalah surplus / deficit is arrived at after deducting commission and management expenses against the Al Wakalah fees charged. Commission and management expenses are borne by the family takaful and general takaful funds in their respective revenue accounts at an agreed percentage. This is accordance with the principle of Wakalah as approved by the Company's Shari'ah Advisory Body and is as agreed between the participants and the Company. Any surplus/deficit arising will be transferred to/borne by the shareholders' fund as wakalah surplus/deficit.

(f) Employee Benefits

Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plan

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(g) Provision for Liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit or surplus for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(i) Impairment of Assets

The carrying amount of assets, other than investment property that is measured at fair value and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in income statement and/or revenue account.

(j) Zakat

This represents an obligatory amount payable by the Company to comply with the principles of Shari'ah.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(k) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Income, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(l) Receivables

Receivables are carried at anticipated realisable values and known bad debts are written off. Specific provisions are made for any contributions including agents and retakaful balances which remain outstanding for more than thirty days for motor business and six months for all other classes of business respectively, from the date on which they become receivable and for all debts which are considered doubtful.

(m) Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Due to Holding Company

Due to holding company is stated at the amount which is due and expected to be settled.

(o) Equity Instrument

Ordinary shares are classified as equity and are stated at nominal value. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and at banks, excluding investment accounts and repo placements which have insignificant risks of changes in value. The cash flow statements have been prepared using the indirect method.

(q) Revenue Recognition

Contributions are recognised in accordance with the policies stated in Note 2(d) and 2(e).

Investment income is recognised on a time proportion basis that reflects the effective yield on the asset.

(r) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement and/or revenue accounts. The principal exchange rate for every unit of United States Dollar ruling at balance sheet date used is RM3.705 (2005: Nil).

(s) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight lines basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Amortisation is charged to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (contd.)

(s) Intangible Assets (Contd.)

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Computer software and licences

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technological obsolescence.

The acquired computer software and licenses are amortised using the straight line method over their estimated useful lives not exceeding 6 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 April 2006, the Company adopted the following FRSs which are effective for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The Company also has not early adopted the following FRSs, amendments to FRSs and Issues Committee (“IC”) Interpretations which have effective dates as follows:

FRS/IC Interpretation	For financial periods beginning on or after
(i) FRS 124: Related Party Disclosures	1 October 2006
(ii) FRS 6: Exploration for and valuation of Mineral Resources	1 January 2007
(iii) FRS 119 ²⁰⁰⁴ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
(iv) FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
(v) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
(vi) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
(vii) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
(viii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
(ix) IC Interpretation 7: Applying the Restatement Approach under FRS 119 2004 Financial Reporting in Hyperinflationary Economies	1 July 2007
(x) IC Interpretation 8: Scope of FRS 2	1 July 2007

The adoption of the above is not expected to have any significant effects on the financial statements of the Company upon their initial application.

The Company has also not adopted FRS 139: Financial Instruments: Recognition and Measurement, where the effective date of application has been deferred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The adoption of new and revised FRS 2, 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136 and 140 does not result in significant changes in accounting policies of the Company. The principal change in accounting policies and its effect resulting from the adoption of FRS 138 is summarised below:

(a) FRS 138: Intangible Assets

The computer software and licenses are considered to have finite useful lives and therefore are stated at cost less accumulated amortisation and impairment losses.

With the adoption of FRS 138, the Company changed its accounting policy and classification of certain acquired computer software and licenses whereby computer software and licenses that are not an integral part of the related hardware are reclassified to intangible assets from property, plant and equipment, and the related costs thereon are amortised over their useful lives.

In accordance with the transitional provision of FRS 138, this reclassification is applied retrospectively. The effect of FRS 138 on the balance sheet of the Company as at 31 March 2006 are shown in Note 2.3 (c). This change has no significant impact on the results of the Company.

(b) Summary of effects arising from adoption of new and revised FRSs

(i) Effects on balance sheet as at 31 March 2007

	(Decrease)/ Increase FRS 138 (Note 2.3(a)) RM	Total RM
Assets		
Property and equipment	(3,044,576)	(3,044,576)
Intangible assets	3,044,576	3,044,576

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(c) Restatement of comparatives

(i) Effects on comparative balance sheet as at 31 March 2006

	Previously Stated RM	(Decrease)/ Increase FRS 138 (Note 2.3(a)) RM	Restated RM
Assets			
Property and equipment	5,865,179	(1,479,612)	4,385,567
Intangible assets	-	1,479,612	1,479,612
	<u> </u>	<u> </u>	<u> </u>

2.4 Changes in Estimates

The revised FRS 138: Intangible Assets requires the review of the amortisation period and method of an intangible asset at least at each financial year end. The Company revised the estimated useful life of acquired computer software and licenses from three to six years with effect from 1 April 2006. The revision in estimated useful lives was accounted for prospectively as a change in accounting estimates. There was no significant impact arising as a result of this change in estimated useful life of intangible assets.

2.5 Significant Accounting Estimates and Judgments

(a) Critical Judgements Made in Applying Accounting Policies

Judgements made by management in the process of applying the Company's accounting policies are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(i) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. It is currently estimated that the property, plant and equipment and intangible assets of the Company will not have any residual values.

(ii) Impairment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

(iv) Uncertainty in accounting estimates for Family Takaful business

The estimation of the ultimate liability arising from claims made under Family Takaful contracts is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in accounting estimates for Family Takaful business (Contd.)

For Family Takaful contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The Family Takaful fund bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future exposures. All of this will give rise to estimation uncertainties of projected ultimate liability of the Family Takaful fund.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

The principal uncertainty in the General Takaful business arises from the technical provisions which include the provisions of contribution and claims liabilities. The contribution liabilities comprise unearned contribution reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned contribution reserves is explained in the related accounting policy statement.

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future contributions and claims liabilities will not exactly develop as projected and may vary from projections.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in accounting estimates for Family Takaful business (Contd.)

The estimates of contributions and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of contributions and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the actual magnitude of the claim to be settled. There are many factors that will determine the level of such uncertainty including inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(v) Pipeline contributions

The General Takaful fund has recognised pipeline contribution amounting to approximately RM3,842,106 (2006 : RM1,111,161) at the end of the current financial year. Estimation made by management is based on expected and actual risks underwritten and is as advised by the relevant agents or underwriters. Other factors taken into consideration include average monthly trends for turnaround time of policy issuance.

3. PROPERTY, PLANT AND EQUIPMENT

2007	Computer equipment RM	Furniture, Fittings and Office Equipment RM	Motor Vehicles RM	Total RM
Shareholder's fund				
Cost				
At 1 April 2006 (restated)	2,996,330	5,040,720	409,135	8,446,185
Additions	811,819	1,700,181	-	2,512,000
Write offs	(4,200)	(204,854)	-	(209,054)
At 31 March 2007	3,803,949	6,536,047	409,135	10,749,131

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

2007	Computer equipment RM	Furniture, Fittings and Office Equipment RM	Motor Vehicles RM	Total RM
Accumulated Depreciation				
At 1 April 2006 (restated)	2,166,703	1,631,945	261,970	4,060,618
Charge for the year	637,621	967,886	81,815	1,687,322
Write offs	(4,199)	(101,450)	-	(105,649)
At 31 March 2007	<u>2,800,125</u>	<u>2,498,381</u>	<u>343,785</u>	<u>5,642,291</u>
Net Book Value				
At 31 March 2007	<u>1,003,824</u>	<u>4,037,666</u>	<u>65,350</u>	<u>5,106,840</u>
2006				
Cost				
At 1 April 2005 (restated)	2,457,403	3,395,108	409,135	6,261,646
Additions	538,927	1,843,246	-	2,382,173
Write offs	-	(197,634)	-	(197,634)
At 31 March 2006	<u>2,996,330</u>	<u>5,040,720</u>	<u>409,135</u>	<u>8,446,185</u>
Accumulated Depreciation				
At 1 April 2005 (restated)	1,308,712	1,043,865	180,143	2,532,720
Charge for the year	857,991	671,849	81,827	1,611,667
Write offs	-	(83,769)	-	(83,769)
At 31 March 2006	<u>2,166,703</u>	<u>1,631,945</u>	<u>261,970</u>	<u>4,060,618</u>
Net Book Value				
At 31 March 2006	<u>829,627</u>	<u>3,408,775</u>	<u>147,165</u>	<u>4,385,567</u>

4. INTANGIBLE ASSETS

	Software development costs	
	2007	2006
	RM	RM
Shareholder's fund		
Cost		
At 1 April (restated)	5,005,541	3,777,018
Additions	2,048,902	1,228,523
At 31 March	<u>7,054,443</u>	<u>5,005,541</u>
Accumulated Amortisation		
At 1 April (restated)	3,525,929	2,019,632
Charge for the year	483,938	1,506,297
At 31 March 2007	<u>4,009,867</u>	<u>3,525,929</u>
Net Carrying Amount		
At 31 March	<u>3,044,576</u>	<u>1,479,612</u>

5. INVESTMENTS

Shareholder's fund	2007	2006
	RM	RM
At cost:		
Government Investment Issues	8,068,200	-
Private debt securities	14,997,034	15,628,300
Net accretion of discounts	22,232	49,844
	<u>23,087,466</u>	<u>15,678,144</u>
Provision for diminution in value	(4,767,703)	(431,000)
	<u>18,319,763</u>	<u>15,247,144</u>
At cost:		
Investment accounts with licensed:		
Building society	15,000,000	19,000,000
Development bank	5,000,000	9,000,000
Islamic banks	4,468,000	2,000,000
Commercial banks	1,350,000	3,830,000
Repo placements	3,499,000	1,791,000
Unit trust	1,006,092	-
Golf club membership	60,000	60,000
Units held in Investment linked fund	5,000,000	-
	<u>35,383,092</u>	<u>35,681,000</u>
	<u>53,702,855</u>	<u>50,928,144</u>

5. INVESTMENTS (CONTD.)

Shareholder's fund (Contd.)	2007	2006
	RM	RM
Market value:		
Government Investment Issues	8,226,200	-
Private debt securities	14,941,571	14,962,600
Unit trust	1,006,092	-
	<u>1,006,092</u>	<u>-</u>
General takaful fund		
At cost:		
Khazanah Nasional Berhad bonds	5,212,050	5,212,050
Cagamas bonds	2,502,800	2,502,800
Government Investment Issues	6,854,900	2,848,400
Private debt securities	8,222,015	6,064,215
Net accretion of discounts	518,280	266,982
	<u>23,310,045</u>	<u>16,894,447</u>
Provision for diminution in value	(332,750)	(332,750)
	<u>22,977,295</u>	<u>16,561,697</u>
At cost:		
Investment accounts with licensed:		
Development bank	11,635,000	9,300,000
Islamic banks	16,127,000	9,607,000
Commercial banks	4,094,000	4,840,000
Repo placements	400,000	3,040,000
	<u>32,256,000</u>	<u>26,787,000</u>
	<u>55,233,295</u>	<u>43,348,697</u>
Market value:		
Khazanah Nasional Berhad bonds	5,688,100	5,481,250
Cagamas bonds	2,540,000	2,529,500
Government Investment Issues	7,057,100	2,852,000
Private debt securities	7,734,600	5,561,150
	<u>7,734,600</u>	<u>5,561,150</u>
Family takaful fund		
At cost:		
Khazanah Nasional Berhad bonds	7,821,450	7,821,450
Cagamas bonds	2,502,800	2,502,800
Government Investment Issues	19,698,650	6,594,600
Private debt securities	17,180,835	13,944,135
Commercial papers	11,821,145	-
Net accretion of discounts	952,369	398,043
	<u>59,977,249</u>	<u>31,261,028</u>
Provision for diminution in value	(332,750)	(332,750)
	<u>59,644,499</u>	<u>30,928,278</u>

5. INVESTMENTS (CONTD.)

Family takaful fund (Contd.)	2007 RM	2006 RM
At cost:		
Investment accounts with licensed:		
Development bank	20,948,000	10,000,000
Islamic banks	41,905,000	8,390,000
Commercial banks	15,000,000	11,895,000
Repo placements	13,772,000	11,205,000
Unit trust	2,026,788	-
	<u>93,651,788</u>	<u>41,490,000</u>
	<u>153,296,287</u>	<u>72,418,278</u>
Market value:		
Khazanah Nasional Berhad bonds	8,439,400	8,119,750
Cagamas bonds	2,540,000	2,529,500
Government Investment Issues	20,177,700	6,609,000
Private debt securities	16,758,600	13,447,850
Commercial papers	11,964,862	-
Unit trust	2,026,788	-
	<u>2,026,788</u>	<u>-</u>

The market values of the private debt securities, Khazanah Nasional Berhad bonds, Cagamas bonds, Government Investment Issues, Commercial papers and Unit trusts of the shareholder's, General and Family takaful funds, as disclosed above are indicative of their fair values as at the financial year end and are determined by reference to indicative market bid prices as provided by the Company's brokers and Bank Negara Malaysia.

The maturity profile of profit-bearing investments are as follows:

2007	< 1 year RM	1 to 5 years RM	Total RM
Shareholder's fund			
Investment accounts with licensed:			
Building society	15,000,000	-	15,000,000
Development bank	5,000,000	-	5,000,000
Islamic bank	3,468,000	1,000,000	4,468,000
Commercial banks	1,350,000	-	1,350,000
Repo placements	3,499,000	-	3,499,000
Private debt securities	962,177	9,296,052	10,258,229
Government Investment Issues	-	8,061,534	8,061,534
Investment Linked Fund	-	5,000,000	5,000,000
	<u>29,279,177</u>	<u>23,357,586</u>	<u>52,636,763</u>

5. INVESTMENTS (CONTD.)

2007 (Contd.)	< 1 year RM	1 to 5 years RM	Total RM
General takaful fund			
Investment accounts with licensed:			
Development bank	11,635,000	-	11,635,000
Islamic banks	16,127,000	-	16,127,000
Commercial banks	4,094,000	-	4,094,000
Khazanah Nasional Berhad bonds	-	5,673,439	5,673,439
Cagamas bonds	-	2,501,310	2,501,310
Government Investment Issues	1,985,839	4,973,695	6,959,534
Private debt securities	-	7,843,012	7,843,012
Repo placements	400,000	-	400,000
	<u>34,241,839</u>	<u>20,991,456</u>	<u>55,233,295</u>
Family takaful fund			
Investment accounts with licensed:			
Development bank	19,948,000	1,000,000	20,948,000
Islamic banks	37,905,000	4,000,000	41,905,000
Commercial banks	14,500,000	500,000	15,000,000
Khazanah Nasional Berhad bonds	-	8,430,000	8,430,000
Cagamas bonds	-	2,501,325	2,501,325
Government Investment Issues	6,849,580	13,094,149	19,943,729
Private debt securities	-	16,804,583	16,804,583
Repo placements	13,772,000	-	13,772,000
Commercial papers	11,964,862	-	11,964,862
	<u>104,939,442</u>	<u>46,330,057</u>	<u>151,269,499</u>
2006	< 1 year RM	1 to 5 years RM	Total RM
Shareholder's fund			
Investment accounts with licensed:			
Building society	19,000,000	-	19,000,000
Development bank	9,000,000	-	9,000,000
Islamic bank	2,000,000	-	2,000,000
Commercial banks	3,830,000	-	3,830,000
Repo placements	1,791,000	-	1,791,000
Private debt securities	4,967,970	10,279,174	15,247,144
	<u>40,588,970</u>	<u>10,279,174</u>	<u>50,868,144</u>

5. INVESTMENTS (CONTD.)

2006 (Contd.)	< 1 year RM	1 to 5 years RM	Total RM
General takaful fund			
Investment accounts with licensed:			
Development bank	9,300,000	-	9,300,000
Islamic Banks	9,607,000	-	9,607,000
Commercial banks	4,840,000	-	4,840,000
Khazanah Nasional Berhad bonds	-	5,466,090	5,466,090
Cagamas bonds	-	2,501,860	2,501,860
Government Investment Issues	-	2,856,233	2,856,233
Private debt securities	-	5,737,514	5,737,514
Repo placements	3,040,000	-	3,040,000
	<u>26,787,000</u>	<u>16,561,697</u>	<u>43,348,697</u>

Family takaful fund

Investment accounts with licensed:			
Development bank	10,000,000	-	10,000,000
Islamic Banks	8,390,000	-	8,390,000
Commercial banks	11,895,000	-	11,895,000
Khazanah Nasional Berhad bonds	-	8,129,607	8,129,607
Cagamas bonds	-	2,501,881	2,501,881
Government Investment Issues	-	6,625,483	6,625,483
Private debt securities	-	13,671,307	13,671,307
Repo placements	11,205,000	-	11,205,000
	<u>41,490,000</u>	<u>30,928,278</u>	<u>72,418,278</u>

The weighted average effective profit rate of the investments as at balance sheet date were as follows:

2007	Shareholder's fund % per annum	General takaful fund % per annum	Family takaful fund % per annum
Investment accounts with licensed:			
Building society	3.94	-	-
Development bank	3.77	3.71	3.69
Islamic banks	4.63	3.73	3.92
Commercial banks	3.88	3.56	3.69
Repo placements	3.11	2.80	3.13
Private debt securities	5.03	3.49	4.23
Cagamas bonds	-	4.20	4.20
Government Investment Issues	3.97	3.75	3.69
Commercial papers	-	-	3.61

5. INVESTMENTS (CONTD.)

	Shareholder's fund	General takaful fund	Family takaful fund
2006	% per annum	% per annum	% per annum
Investment accounts with licensed:			
Building society	3.60	-	-
Development bank	3.13	3.32	3.41
Islamic banks	3.19	2.91	2.96
Commercial banks	3.05	3.18	3.29
Repo placements	2.96	2.99	2.98
Private debt securities	6.82	6.10	5.57
Cagamas bonds	-	4.20	4.20
Government Investment Issues	-	3.38	3.36

6. TRADE RECEIVABLES

	General takaful fund RM	Family takaful fund RM
2007		
Contributions receivable	13,168,728	17,733,176
Due from agents, retakaful operators and brokers	1,947,076	-
	<u>15,115,804</u>	<u>17,733,176</u>
Provision for bad and doubtful debts	(1,432,775)	(285,180)
	<u>13,683,029</u>	<u>17,447,996</u>
2006		
Contributions receivable	8,786,585	9,428,889
Due from agents, retakaful operators and brokers	1,298,396	-
	<u>10,084,981</u>	<u>9,428,889</u>
Provision for bad and doubtful debts	(1,118,687)	(392,126)
	<u>8,966,294</u>	<u>9,036,763</u>

7. OTHER RECEIVABLES

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2007			
Qardhul Hasan to General takaful fund *	3,042,695	-	-
Investment income receivable	814,368	719,145	1,173,365
Secured staff financing **	1,209,970	-	-
Amount due from general takaful fund	-	-	209,354
Other debtors, deposits and prepayments	524,211	138,031	904,189
	<u>5,591,244</u>	<u>857,176</u>	<u>2,286,908</u>
2006			
Qardhul Hasan to General takaful fund*	3,042,695	-	-
Investment income receivable	597,586	236,042	365,299
Secured staff financing **	874,131	-	-
Amount due from general takaful fund	-	-	21,294
Other debtors, deposits and prepayments	265,137	88,388	81,826
	<u>4,779,549</u>	<u>324,430</u>	<u>468,419</u>

* Qardhul Hasan represents a loan to the general takaful fund as disclosed in Note 11. It is provided in order to make good the underwriting deficit experienced by the general takaful fund during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment.

** Secured staff financing are receivable as follows:

	2007 RM	2006 RM
Within 12 months	495,892	352,776
After 12 months	714,078	521,355
	<u>1,209,970</u>	<u>874,131</u>

The staff financing above are not subject to any profit elements or finance charges.

8. DEFERRED TAX ASSET

	2007	2006
	RM	RM
At 1 January	-	-
Recognised in the income statement (Note 18)	1,287,280	-
At 31 December	<u>1,287,280</u>	<u>-</u>

Deferred tax asset arising during the financial year relates solely to provisions for diminution in value of investments of the shareholder's fund.

9. PROVISION FOR OUTSTANDING CLAIMS

	General	Family
	takaful	takaful
	fund	fund
	RM	RM
2007		
Gross provision for outstanding claims	22,768,269	5,767,052
Less: Recoverable from retakaful operators	(780,923)	-
Net provision for outstanding claims	<u>21,987,346</u>	<u>5,767,052</u>
Provision for IBNR claims	10,362,000	-
	<u>32,349,346</u>	<u>5,767,052</u>
2006		
Gross provision for outstanding claims	16,112,656	3,588,397
Less: Recoverable from retakaful operators	(301,391)	-
Net provision for outstanding claims	<u>15,811,265</u>	<u>3,588,397</u>
Provision for IBNR claims	8,064,139	-
	<u>23,875,404</u>	<u>3,588,397</u>

10. OTHER PAYABLES

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2007			
Deposit contributions	-	1,352,108	6,570,688
Short-term accumulating compensated absences	16,299	-	-
Amount due to Family takaful fund	-	209,354	-
Other accruals and payables	4,955,839	3,391,991	2,954,930
	<u>4,972,138</u>	<u>4,953,453</u>	<u>9,525,618</u>
2006			
Deposit contributions	-	1,489,950	4,160,811
Short-term accumulating compensated absences	55,057	-	-
Amount due to Family takaful fund	-	21,294	-
Other accruals and payables	6,275,298	1,731,141	577,862
	<u>6,330,355</u>	<u>3,242,385</u>	<u>4,738,673</u>

11. BALANCES WITH SHAREHOLDER'S FUND

Included in amounts due to shareholder's fund in the General takaful funds is Qardhul Hasan loan amounting to RM 3,042,695 (2006: RM3,042,695), to make good the underwriting deficit in the general takaful fund.

The amounts due to shareholder's fund in the general and family takaful funds and the amounts due from general and family takaful funds in the shareholder's fund are unsecured, not subject to any profit elements and have no fixed terms of repayment.

12. DUE TO HOLDING COMPANY

The amount due to holding company is non-trade in nature, unsecured, not subject to any profit elements and has no fixed terms of repayment.

13. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At beginning/end of year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At beginning/end of year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

14. OPERATING REVENUE

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM	Total RM
2007				
Gross contribution	-	67,851,708	156,054,032	223,905,740
Investment linked units created (Note 23(b))	-	-	297,370	297,370
Wakalah fees	<u>74,985,675</u>	<u>-</u>	<u>-</u>	<u>74,985,675</u>
	<u>74,985,675</u>	<u>67,851,708</u>	<u>156,351,402</u>	<u>299,188,785</u>
Investment income:				
Profit on investment accounts	2,472,481	1,515,557	2,640,496	6,628,534
Net accretion of discounts on investments	<u>46,304</u>	<u>382,467</u>	<u>850,112</u>	<u>1,278,883</u>
	<u>2,518,785</u>	<u>1,898,024</u>	<u>3,490,608</u>	<u>7,907,417</u>
Investment income of investment linked fund (Note 23(e))	-	-	360,033	360,033
	<u>2,518,785</u>	<u>1,898,024</u>	<u>3,850,641</u>	<u>8,267,450</u>
	<u>77,504,460</u>	<u>69,749,732</u>	<u>160,202,043</u>	<u>307,456,235</u>
2006				
Gross contribution	-	54,578,727	92,113,960	146,692,687
Al Wakalah fees	<u>54,926,586</u>	<u>-</u>	<u>-</u>	<u>54,926,586</u>
	<u>54,926,586</u>	<u>54,578,727</u>	<u>92,113,960</u>	<u>201,619,273</u>
Investment income:				
Profit on investment accounts	2,829,272	468,776	799,537	4,097,585
Net accretion of discounts on investments	<u>18,686</u>	<u>197,286</u>	<u>255,861</u>	<u>471,833</u>
	<u>2,847,958</u>	<u>666,062</u>	<u>1,055,398</u>	<u>4,569,418</u>
	<u>57,774,544</u>	<u>55,244,789</u>	<u>93,169,358</u>	<u>206,188,691</u>

15. WAKALAH (DEFICIT) / SURPLUS ARISING FROM OPERATIONS OF GENERAL AND FAMILY TAKAFUL FUNDS

	General Takaful fund RM	Family Takaful fund RM
2007		
Wakalah fees	18,136,365	56,832,140
Investment linked fund wakalah fees (Note 23(b))	-	17,170
Management expenses (Note 16)	<u>(23,229,488)</u>	<u>(48,842,261)</u>
Wakalah (deficit) / surplus	<u>(5,093,123)</u>	<u>8,007,049</u>
2006		
Wakalah fees	16,706,537	38,220,049
Management expenses (Note 16)	<u>(17,957,188)</u>	<u>(36,150,156)</u>
Wakalah (deficit)/surplus	<u>(1,250,651)</u>	<u>2,069,893</u>

16. MANAGEMENT EXPENSES

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
2007			
Staff costs:			
Chief executive officer's ("CEO")/ executive director's remuneration (Note (a))	-	507,559	338,373
Non-executive directors' remuneration (Note (b))	-	129,000	86,000
Pension costs - EPF	-	1,101,127	947,083
Short-term accumulating compensated absences	-	(23,255)	(15,504)
Salaries, bonus, and other related costs	-	7,295,384	6,800,938
Auditors' remuneration			
- statutory audit	-	16,800	23,200
- other services	-	4,800	3,200
Office rental	-	951,525	840,311
Amortisation of computer software	483,938	-	-
Depreciation of property, plant and equipment	1,687,322	-	-
Property, plant and equipment written off	103,405	-	-
Management fees paid to holding company	-	19,200	12,800
Other expenses	-	5,660,468	5,863,187
Commissions paid to agents	-	7,566,880	33,942,673
	<u>2,274,665</u>	<u>23,229,488</u>	<u>48,842,261</u>

16. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
(a) CEO/Executive Director's remuneration:			
Salary and bonus	-	412,077	274,718
EPF contributions	-	70,882	47,255
Short-term accumulating compensated absences	-	24,600	16,400
Benefits-in-kind	-	24,376	16,250
	-	<u>531,935</u>	<u>354,623</u>
Total CEO's remuneration excluding benefits-in-kind	-	<u>507,559</u>	<u>338,373</u>
(b) Directors' remuneration:			
Non-executive directors:			
Fees	-	99,000	66,000
Allowances and other emoluments	-	30,000	20,000
	-	<u>129,000</u>	<u>86,000</u>
Total non-executive directors' remuneration excluding benefits-in-kind	-	<u>129,000</u>	<u>86,000</u>
2006			
Staff costs:			
Chief executive officer's ("CEO")/ executive director's remuneration (Note (a))	-	392,188	261,459
Directors' remuneration (Note (b))	-	119,700	79,800
Pension costs - EPF	-	779,062	733,027
Short-term accumulating compensated absences	-	(45,164)	(30,109)
Salaries, bonus, and other related costs	-	5,918,096	5,549,213
Auditors' remuneration			
- statutory audit	-	14,000	11,000
- other services	-	3,000	2,000
Office rental	-	816,908	562,422
Amortisation of computer software	1,506,297	-	-
Depreciation of property, plant and equipment	1,611,667	-	-
Property, plant and equipment written off	113,865	-	-
Management fees paid to holding company	-	28,800	19,200
Other expenses	-	4,304,892	4,895,735
Commissions paid to agents	-	5,625,706	24,066,409
	<u>3,231,829</u>	<u>17,957,188</u>	<u>36,150,156</u>

16. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
(a) CEO/Executive Director's remuneration:			
Salary and bonus	-	315,384	210,256
EPF contributions	-	53,806	35,871
Short-term accumulating compensated absences	-	22,998	15,332
Benefits-in-kind	-	45,991	30,660
	-	<u>438,179</u>	<u>292,119</u>
Total CEO's remuneration excluding benefits-in-kind	-	<u>392,188</u>	<u>261,459</u>
(b) Directors' remuneration:			
Non-executive directors:			
Fees	-	91,500	61,000
Allowances and other emoluments	-	28,200	18,800
	-	<u>119,700</u>	<u>79,800</u>
Total non-executive directors' remuneration excluding benefits-in-kind	-	<u>119,700</u>	<u>79,800</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2007	2006
Executive director:		
RM600,000 - RM700,000	1	1
Non-executive directors:		
RM40,000 - RM50,000	<u>5</u>	<u>5</u>

17. NET OTHER OPERATING EXPENSES

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
2007			
Provision for diminution in value of investments	4,336,703	-	-
Bank charges	-	212,348	212,655
Participant's medical fees	-	-	321,553
Stamp duty	-	-	318,593
	<u>4,336,703</u>	<u>212,348</u>	<u>852,801</u>
2006			
Loss/(gain) on disposal of investments	25,415	(14,027)	23,082
Provision for diminution in value of investments	431,000	332,750	332,750
	<u>456,415</u>	<u>318,723</u>	<u>355,832</u>

18. TAXATION

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
2007			
Current year's provision	1,732,951	-	-
Deferred tax relating to origination and reversal of temporary differences (Note 8)	(1,287,280)	-	-
Tax expense for the year	<u>445,671</u>	<u>-</u>	<u>-</u>
2006			
Current year's provision	<u>-</u>	<u>-</u>	<u>-</u>

Domestic income tax of the Shareholder's fund and General takaful fund is calculated at the Malaysian statutory tax rate of 27% (2006: 28%), Family takaful business is taxed at the preferential tax rate of 8% (2006: 8%) of taxable investment income for the year.

There is no tax charge in the current and previous financial years for the General takaful fund and the previous years for the Shareholder's fund owing to tax loss positions.

18. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds is as follows:

	Shareholder's fund RM	General Takaful fund RM	Family Takaful fund RM
2007			
Profit / surplus before taxation	<u>1,490,799</u>	<u>3,403,678</u>	<u>88,234,042</u>
Taxation at Malaysian statutory tax rate	402,516	918,993	7,058,723
Income not subject to tax	-	-	(6,839,143)
Expenses not deductible for tax purposes	476,131	85,557	59,669
Utilisation of previously unrecognised deferred tax assets	(549,346)	(1,004,550)	(279,249)
Underprovision of deferred tax in prior years	116,370	-	-
Tax expense for the year	<u>445,671</u>	<u>-</u>	<u>-</u>
2006			
Profit / (deficit) / surplus before taxation	<u>423,609</u>	<u>(2,205,648)</u>	<u>45,561,877</u>
Taxation at Malaysian statutory tax rate	109,262	(765,808)	3,609,378
Income not subject to tax	-	-	(3,577,407)
Expenses not deductible for tax purposes	947,715	294,700	23,994
Utilisation of tax losses from general takaful fund	(1,056,977)	-	(55,965)
Deferred tax assets not recognised during the year	-	471,108	-
Tax expense for the year	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax asset was not recognised in respect of the unutilised business losses of the General takaful fund of approximately RM2,405,000 in the previous financial year as the tax laws relating to takaful operators carrying on the Wakalah business model had not been formulated.

19. CAPITAL COMMITMENT

	Shareholder's fund	
	2007	2006
	RM	RM
Authorised and contracted for:		
- Intangible assets	<u>1,028,762</u>	<u>1,409,349</u>

20. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the profit for the year by the number of ordinary shares in issue during the year, as follows:

	Shareholder's fund	
	2007	2006
	RM	RM
Profit for the year	1,035,128	416,615
Number shares in issue during the year	<u>100,000,000</u>	<u>100,000,000</u>
Basic earnings per share (sen)	<u>1.04</u>	<u>0.42</u>

21. GENERAL TAKAFUL FUND

	2007	2006
	RM	RM
At beginning of year	22,192,846	14,203,739
Underwriting surplus/(deficit) transferred from General takaful revenue account	2,177,933	(2,205,648)
Increase in unearned contribution reserves during the year (Note 24)	10,101,300	7,989,107
Increase in Qardhul Hasan during the year	-	2,205,648
Hibah (profit) paid to participants during the year	(94,111)	-
At 31 March	<u>34,377,968</u>	<u>22,192,846</u>

22. FAMILY TAKAFUL FUND

Based on the actuarial valuation of the Family takaful fund made up to 31 March 2007, the appointed actuary was satisfied that the assets available in the family takaful fund are sufficient to meet its long term liabilities to the participants.

	2007	2006
	RM	RM
Participants Account (PA):		
At beginning of the year	59,385,913	17,947,322
Add: Increase in PA	80,292,176	41,438,591
At end of the year	<u>139,678,089</u>	<u>59,385,913</u>
Participants' Special Account (PSA)		
At beginning of the year	3,509,924	(168,711)
Add: Increase in PSA	15,597,497	5,607,828
Profit allocated to participants: from normal surplus	<u>9,099,342</u>	<u>1,929,193</u>
At end of the year	<u>10,008,079</u>	<u>3,509,924</u>
Liabilities at end of the year	<u>149,686,168</u>	<u>62,895,837</u>
Unallocated surplus:		
At beginning of the year	1,539,743	150,411
Add:		
Surplus for the year	86,790,331	45,117,224
Less: Profit allocated to participants from normal surplus	<u>(86,941,603)</u>	<u>(42,861,784)</u>
Surplus arising during the year	1,388,471	2,405,851
Decrease in Qardhul Hasan	-	(866,108)
Unallocated surplus carried forward	<u>1,388,471</u>	<u>1,539,743</u>
Family takaful fund at end of the year:		
Liabilities	148,297,697	61,356,094
Unallocated surplus carried forward	<u>1,388,471</u>	<u>1,539,743</u>
	<u>149,686,168</u>	<u>62,895,837</u>

23. INVESTMENT LINKED FUND**(a) Balance Sheet as at 31 March 2007**

	2007	2006
	RM	RM
ASSETS		
Investments (Note (c))	5,860,386	-
Receivables (Note (d))	1,371	-
Cash and bank balances	85,649	-
Total Investment linked fund assets	<u>5,947,406</u>	<u>-</u>
LIABILITIES		
Provision for taxation	28,661	-
Other payables	301,947	-
Due to shareholder's fund	7,000	-
Total Investment linked fund liabilities	<u>337,608</u>	<u>-</u>
Investment linked fund	<u>5,609,798</u>	<u>-</u>
Total liabilities and investment linked fund	<u>5,947,406</u>	<u>-</u>

(b) Income Statement for the period from 16 December 2006 to 31 March 2007

	2007	2006
	RM	RM
Units created	297,370	-
Investment income (Note (e))	360,033	-
Al Wakalah fee	(17,170)	-
Other expenses	(1,774)	-
Surplus before taxation	<u>638,459</u>	<u>-</u>
Taxation (Note (f))	(28,661)	-
Net surplus for the year after taxation	<u>609,798</u>	<u>-</u>
Investment linked fund at 16 December 2006 (date of commencement of investment linked fund)	<u>5,000,000</u>	<u>-</u>
Investment linked fund at end of the period	<u>5,609,798</u>	<u>-</u>

23. INVESTMENT LINKED FUND (CONTD.)**(c) Investments**

	2007	2006
	RM	RM
Quoted securities of corporations in Malaysia:		
Shares, at cost	3,248,789	-
Unrealised gain	261,056	-
Shares, at market value	<u>3,509,845</u>	<u>-</u>
Investment accounts with licensed commercial bank	<u>2,350,541</u>	<u>-</u>
	<u>5,860,386</u>	<u>-</u>

The maturity profile of profit-bearing investments is as follows:

2007

	< 1 year	1 to 5 years	Total
	RM	RM	RM
Investment accounts with licensed commercial bank	<u>2,350,541</u>	<u>-</u>	<u>2,350,541</u>

The range of effective profit rates during the year of the investment accounts with licensed commercial banks of the investment linked fund is 3.69% (2006: Nil).

(d) Receivables

	2007	2006
	RM	RM
Income due and accrued	<u>1,371</u>	<u>-</u>

(e) Investment income

	2007	2006
	RM	RM
Shares quoted in Malaysia:		
Gross dividends	1,660	-
Unrealised gain	261,057	-
Realised gain	80,608	-
Income from investment accounts with licensed commercial banks	<u>16,708</u>	<u>-</u>
	<u>360,033</u>	<u>-</u>

23. INVESTMENT LINKED FUND (CONTD.)**(f) Taxation**

	2007	2006
	RM	RM
Current year's provision	<u>28,661</u>	<u>-</u>

Investment linked business is taxed at the preferential tax rate of 8% of taxable investment income for the period.

A reconciliation of income tax expense applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds is as follows:

	2007	2006
	RM	RM
Surplus before taxation	<u>638,459</u>	<u>-</u>
Taxation at Malaysian statutory tax rate of 8%	51,077	-
Income not subject to tax	(23,790)	-
Expenses not deductible for tax purposes	1,374	-
Tax expense for the period	<u>28,661</u>	<u>-</u>

24. UNEARNED CONTRIBUTION RESERVES**General takaful fund**

	Fire	Motor	Marine, Aviation & Transit	Misc.	Total
	RM	RM	RM	RM	RM
2007					
At 1 April 2006	(924,555)	(20,677,439)	(166,707)	(424,145)	(22,192,846)
Increase during the year	<u>(2,253,741)</u>	<u>(5,400,826)</u>	<u>(43,984)</u>	<u>(2,402,749)</u>	<u>(10,101,300)</u>
At 31 March	<u>(3,178,296)</u>	<u>(26,078,265)</u>	<u>(210,691)</u>	<u>(2,826,894)</u>	<u>(32,294,146)</u>
2006					
At 1 April 2005	(1,154,638)	(12,482,472)	-	(566,629)	(14,203,739)
Decrease/ (increase)	230,083	(8,194,967)	(166,707)	142,484	(7,989,107)
during the year	<u>230,083</u>	<u>(8,194,967)</u>	<u>(166,707)</u>	<u>142,484</u>	<u>(7,989,107)</u>
At 31 March	<u>(924,555)</u>	<u>(20,677,439)</u>	<u>(166,707)</u>	<u>(424,145)</u>	<u>(22,192,846)</u>

25. NET CLAIMS INCURRED**General takaful fund**

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Misc. RM	Total RM
2007					
Net claims paid	1,098,052	20,669,996	53,401	712,868	22,534,317
Outstanding claims:					
At 31 March	1,222,717	29,072,432	140,450	1,913,747	32,349,346
At 1 April 2006	(1,162,630)	(21,461,275)	(139,538)	(1,111,961)	(23,875,404)
	<u>1,158,139</u>	<u>28,281,153</u>	<u>54,313</u>	<u>1,514,654</u>	<u>31,008,259</u>
2006					
Net claims paid	87,537	10,613,607	150	280,364	10,981,658
Outstanding claims:					
At 31 March	1,162,630	21,461,275	139,538	1,111,961	23,875,404
At 1 April 2005	(133,792)	(6,751,853)	-	(603,643)	(7,489,288)
	<u>1,116,375</u>	<u>25,323,029</u>	<u>139,688</u>	<u>788,682</u>	<u>27,367,774</u>

26. SEGMENTAL INFORMATION ON CASH FLOW

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM	Total RM
2007				
Net cash flow generated from / (used in):				
Operating activities	4,694,815	5,316,441	3,128,989	13,140,245
Investing activity	(4,560,902)	-		(4,560,902)
	<u>133,913</u>	<u>5,316,441</u>	<u>3,128,989</u>	<u>8,579,343</u>
Net increase in cash and cash equivalents:				
At beginning of year	36,387	1,730,973	1,779,681	3,547,041
At end of year	<u>170,300</u>	<u>7,047,414</u>	<u>4,908,670</u>	<u>12,126,384</u>
	<u>133,913</u>	<u>5,316,441</u>	<u>3,128,989</u>	<u>8,579,343</u>

26. SEGMENTAL INFORMATION ON CASH FLOW (CONTD.)

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM	Total RM
2006				
Net cash flow generated from/ (used in):				
Operating activities	3,517,066	430,757	(93,689)	3,854,134
Investing activity	(3,610,696)	-	-	(3,610,696)
	<u>(93,630)</u>	<u>430,757</u>	<u>(93,689)</u>	<u>243,438</u>
Net (decrease)/increase in cash and cash equivalents:				
At beginning of year	130,017	1,300,216	1,873,370	3,303,603
At end of year	36,387	1,730,973	1,779,681	3,547,041
	<u>(93,630)</u>	<u>430,757</u>	<u>(93,689)</u>	<u>243,438</u>

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2007			
Transactions with the holding company:			
Gross contributions	-	2,562	10,804
Rental expenses	-	-	-
Management fees	(36,000)	-	-
Transactions with Malaysian Reinsurance Berhad ("MRB"), a fellow subsidiary:			
Gross contributions	-	289,191	323,058
Retakaful outward contributions (net)	-	(384,102)	-
Rental expenses	(1,265,243)	-	-
Transactions with Labuan Reinsurance (L) Limited, an associated company of MRB:			
Gross contributions	-	14,624	-
Retakaful outward contributions (net)	-	(29,796)	-

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2007 (Contd.)			
Transactions with Malayan Banking Berhad and Mayban Discount Berhad, in which a director, Encik Mohammad bin Abdullah is also a director:			
Investment income	29,199	7,312	109,182
Transactions with Amanah Short Deposits Berhad, in which a director, Encik Mustaffa bin Ahmad is also a director:			
Investment income	13,484	44,626	110,950
Transactions with Malaysia National Insurance Berhad, which is a subsidiary of Mayban Fortis Holdings Berhad, in which Permodalan Nasional Berhad is a major shareholder:			
Inward retakaful (net)	-	21,918	-
Outward retakaful (net)	-	(399)	-
Transactions with Takaful Nasional Sdn Bhd, which is a subsidiary of Malaysia National Insurance Berhad, which is a subsidiary of Mayban Fortis Holdings Berhad, in which Permodalan Nasional Berhad is a major shareholder:			
Gross contributions	-	635	-
Inward retakaful (net)	-	17,277	-
Outward retakaful (net)	-	(4,406)	-
2006			
Transactions with the holding company:			
Gross contributions	-	-	4,344
Rental expenses	(31,380)	-	-
Management expenses	(48,000)	-	-

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2006 (Contd.)			
Transactions with Malaysian Reinsurance Berhad ("MRB"), a fellow subsidiary:			
Gross contributions	-	228,892	121,083
Retakaful outward contributions (net)	-	(944,847)	-
Rental expenses	(1,093,834)	-	-
	<hr/>	<hr/>	<hr/>
Transactions with Labuan Reinsurance (L) Limited, an associated company of MRB:			
Gross contributions	-	27,782	-
Retakaful outward contributions (net)	-	(938,603)	-
	<hr/>	<hr/>	<hr/>
Transactions with Permodalan Nasional Berhad, a corporate shareholder of the holding company:			
Gross contributions	-	-	14,103
	<hr/>	<hr/>	<hr/>
Transactions with Malayan Banking Berhad and Mayban Discount Berhad, in which a director, Encik Mohammad bin Abdullah is also a director:			
Investment income	16,254	-	41,817
	<hr/>	<hr/>	<hr/>
Transactions with Amanah Short Deposits Berhad, in which a director, Encik Mustaffa bin Ahmad is also a director:			
Investment income	54,037	73,470	119,483
	<hr/>	<hr/>	<hr/>
Transactions with Malaysia National Insurance Berhad, which is a subsidiary of MNI Holdings Berhad, in which Permodalan Nasional Berhad is a major shareholder:			
Inward retakaful (net)	-	88,853	-
Outward retakaful (net)	-	(21,853)	-
	<hr/>	<hr/>	<hr/>

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Shareholder's fund RM	General takaful fund RM	Family takaful fund RM
2006 (Contd.)			
Transactions with Takaful Nasional Sdn Bhd, which is a subsidiary of Malaysia National Insurance Berhad, which is a subsidiary of MNI Holdings Berhad, in which Permodalan Nasional Berhad is a major shareholder:			
Gross contributions	-	104,911	-
Contributions paid	(35,307)	-	-
Inward retakaful (net)	-	309,518	-
Outward retakaful (net)	-	(49,108)	-
	<hr/>	<hr/>	<hr/>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**(a) Financial Risk Management Objectives and Policies**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the Company's business activities whilst managing the Company's exposure to risks in the normal course of business. In this respect, the Company is exposed to underwriting risk and treasury risks such as interest rate, market and credit risks. The Company operates within guidelines that are approved by the Board of Directors and the Company's policy is not to engage in speculative transactions.

(b) Underwriting Risk

Underwriting risk includes the risk of incurring claims costs that are higher than expected, owing to the random nature of claims, their frequency, severity and risk of exposure to changes in legal and economic conditions. The Company seeks to minimise underwriting risks by having a balanced mix and spread of business and by observing underwriting guidelines and limits, having conservative estimations made for claims provisions, and applying the highest standards in terms of the assessment of security of its key retakaful companies.

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTD.)

(c) Credit Risk

Credit risk represents the loss that must be recognised, should counterparties to retakaful and investment transactions fail to perform as contracted.

The Company has a credit policy in place and credit risk exposures are monitored on an ongoing basis. It also includes the careful selection and evaluation of issuers of financial instruments, wherein, credit evaluations are performed on all new customers, agents, brokers, retakaful companies, financial institutions and other counterparties prior to business acceptance.

The Company does not have any significant concentrations of credit risk that may arise from exposures to a single counterparty or financial instrument, other than for the investment account of the shareholder's fund placed with a building society, as disclosed in Note 5.

(d) Liquidity Risk

A significant portion of the investible funds of the Company are placed in investment accounts and repo placements with licensed financial institutions, as well as other cash convertible money market instruments. The Company continuously endeavours to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet day to day working capital requirements.

(e) Fair Values

Generally, the fair values of the financial assets and financial liabilities of the Company approximate their fair values owing to their relatively short term maturities, except for the following:

(i) Due to holding company and balances between funds

It is not practical to estimate the fair value of the balance due to holding company and balances between funds due to the lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

(ii) Golf club membership

The carrying amount approximates fair value, which is estimated based on the indicative market price at the close of the business on the balance sheet date.

Financial assets and liabilities that relate to rights and obligations arising from takaful contracts are not considered as they do not fall within the scope of Financial Reporting Standard 132 - Financial Instruments: Disclosure and Presentation.