

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

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**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 June 2009.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the managing of general, family and takaful investment-linked business.

There has been no change in the nature of these activities during the financial year.

**RESULTS**

Net profit for the year	<b>RM'000</b> <u>77,696</u>
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There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Equity.

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

**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.

**DIRECTORS**

The directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)	<i>(Appointed on 31 March 2009)</i>
Damis Jacobus Ziengs (Vice Chairman)	
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	
Dato' Hj. Aminuddin bin Md. Desa	
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	<i>(Resigned on 15 February 2009)</i>
Datuk Haji Abdul Rahman bin Mohd Ramli	<i>(Resigned on 31 March 2009)</i>
Hugo Philip van Vledder	<i>(Resigned on 1 July 2009)</i>

**SHARIAH COMMITTEE**

The Company is advised by a Shariah Committee ("SC"), whose composition is as follows:

Y Bhg. Tan Sri Dato' Seri (Dr) Haji Harussani Bin Haji Zakaria (Chairman)  
Y Bhg. Assistant Prof. Dr. Ismail Bin Mohd @ Abu Hassan (Member)  
Y Bhg. Assistant Prof. Dr. Mohammad Deen Bin Mohd Napiah (Member)

The SC met 8 times during the financial year.

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ultimate holding company's Maybank Group Employee Share Option Scheme ("ESOS").

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, as disclosed in Notes 17 and 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the 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 interest of a director in office at the end of the financial year in shares in the ultimate holding company, Malayan Banking Berhad, during the financial year was as follows:

	<b>Number of ordinary shares of RM1 each</b>		
	<b>1 July 2008/</b>		<b>30 June</b>
	<b>Date of Appointment</b>	<b>Bought/ Rights Issue</b>	<b>2009</b>
<b>Direct Interest:</b>			
Datuk Syed Tamim Ansari bin Syed Mohamed	12,500	5,625	18,125

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**OTHER STATUTORY INFORMATION**

- (a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper 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 there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) 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.
- (e) As at the date of this report, there does not exist:
  - (i) 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
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION (CONT'D.)**

- (f) In the opinion of the directors:
- (i) 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 will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent or other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

- (g) Before the balance sheet and income statement of the Company 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.

**CORPORATE GOVERNANCE**

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

**(a) Board Responsibilities**

In discharging their duties, the Board is equally responsible to ensure compliance with the Takaful Act, 1984 and Bank Negara Malaysia's ("BNM") Guidelines, including JPI/GPI 1 (Consolidated) Duties and Responsibilities of Directors and Chief Executive of Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

**CORPORATE GOVERNANCE (CONT'D.)****(a) Board Responsibilities (Cont'd)**

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 6 times during the financial year and the attendance of the directors was as follows:

<b>Name</b>	<b>Number of Board meetings Attended</b>	<b>%</b>
Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)	2/2	100
Damis Jacobus Ziengs (Vice Chairman) *	4/6	66.67
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	6/6	100
Dato' Hj. Aminuddin bin Md Desa	6/6	100
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 15 February 2009)	3/3	100
Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)	4/4	100
Hugo Philip van Vledder (resigned on 1 July 2009)	5/6	83

\* Mr Damis Jacobus Ziengs could not fulfill the 75% requirement for attendance at Board meetings due to unavoidable reasons.

**(b) Management Accountability**

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

**(c) Corporate Independence**

All material related party transactions have been disclosed in Note 25 to the financial statements.

**CORPORATE GOVERNANCE (CONT'D.)****(d) Internal Controls and Audit**

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC is as follows:

Sulaiman bin Salleh (Chairman)  
Independent Non-Executive Director

Damis Jacobus Ziengs  
Non-Independent Non-Executive Director

Datuk Dr. Syed Othman bin Syed Hussin Alhabshi  
Independent Non-Executive Director

Datuk Syed Tamim Ansari bin Syed Mohamed  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli  
Non-Independent Non-Executive Director

(resigned on 31 March 2009)

The AC met 5 times during the year.

**CORPORATE GOVERNANCE (CONT'D)****(e) Risk Management**

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

The SC, set up in compliance with the Takaful Act, 1984, will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

The risk management framework for the Company comprises three main components, i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence, i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of takaful risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company in consultation with the SC. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC is as follows:

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)  
Independent Non-Executive Director

Petrus Bernardus Gerardus van Harten  
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli  
Non-Independent Non-Executive Director

(resigned on 31 March 2009)

The RMC met 5 times during the year.

**CORPORATE GOVERNANCE (CONT'D)****(f) Nomination Committee and Remuneration and Establishment Committee**

The Board also takes responsibility in establishing the Nomination Committee ("NC") and Remuneration and Establishment Committee ("REC"). The Company will continue to use the existing Nomination Committee and Remuneration and Establishment Committee of the ultimate holding company, Malayan Banking Berhad ("MBB") Group as part of its governance structure.

The primary objective of the NC is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

The REC, on the other hand, is responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the NC is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman)  
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad  
Non-Independent Non-Executive Director

Datuk Syed Tamim Ansari bin Syed Mohamed  
Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 15 February 2009)  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

The NC met 12 times during the year.

**CORPORATE GOVERNANCE (CONT'D)****(f) Nomination Committee and Remuneration and Establishment Committee (Cont'd)**

The composition of the REC is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman) (appointed on 19 February 2009)  
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad  
Non-Independent Non-Executive Director

Tan Sri Dato' Sri Chua Hock Chin  
Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 15 February 2009)  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

The REC met 9 times during the year.

**(g) Investment Committee**

The Investment Committee ("IC") is set up at Mayban Life Assurance Berhad. However, its membership, roles and responsibilities transcend beyond Mayban Life Assurance Berhad to include and cover all other operating companies under Mayban Fortis Holdings Berhad, which are Mayban General Assurance Berhad, Etiqa Insurance Berhad and Etiqa Takaful Berhad.

The objectives of the IC include to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by the Investment Management ("IM") and, to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries.

**CORPORATE GOVERNANCE (CONT'D)****(g) Investment Committee (cont'd)**

The IC reports to the Board of all the operating companies under Mayban Fortis Holdings

The composition of the IC is as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman) Non-Independent Non-Executive Director	(appointed on 11 December 2008)
Sulaiman bin Salleh Independent Non-Executive Director	
Datuk Dr. Syed Othman bin Syed Hussin Al-Habshi Independent Non-Executive Director	
Dato' Hj. Aminuddin bin Md. Desa Non-Independent Non-Executive Director	(appointed on 1 November 2008)
Hans J. J. De Cuyper Senior Management Team	
Haji Mohd. Tarmidzi bin Ahmad Nordin Senior Management Team	
Encik Mohd Din bin Merican Senior Management Team	(appointed on 1 November 2008)
Norlia bt. Mat Yusof Senior Management Team	(resigned on 1 September 2008)
Amirudin bin Abdul Halim Senior Management Team	(resigned on 15 October 2008)
See Toong Chow Senior Management Team	(retired on 1 November 2008)
Hugo Philip van Vledder Senior Management Team	(resigned on 1 November 2008)
Datuk Haji Abdul Rahman bin Mohd Ramli Non-Independent Non-Executive Director	(resigned on 31 March 2009)

The Investment Committee met 4 times during the year.

**CORPORATE GOVERNANCE (CONT'D)****(h) Public Accountability**

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

**(i) Financial Reporting**

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

Datuk Syed Tamim Ansari  
bin Syed Mohamed

Dato' Hj. Aminuddin bin Md. Desa

Kuala Lumpur, Malaysia  
14 August 2009

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Datuk Syed Tamim Ansari bin Syed Mohamed and Dato' Hj. Aminuddin bin Md. Desa, being two of the directors of Etiqa Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 81 are drawn up in accordance with Financial Reporting Standards in Malaysia and in compliance with Shariah requirements and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2009 and of the results and the cash flows of the Company for the year then ended.

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

Datuk Syed Tamim Ansari  
bin Syed Mohamed

Dato' Hj. Aminuddin bin Md. Desa

Kuala Lumpur, Malaysia  
14 August 2009

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

I, Mohd. Tarmidzi bin Ahmad Nordin, being the Officer primarily responsible for the financial management of Etiqa Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 81 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 Mohd. Tarmidzi bin Ahmad Nordin at  
Kuala Lumpur in Wilayah Persekutuan  
on 14 August 2009.

Mohd. Tarmidzi bin Ahmad Nordin

Before me,

Commissioner for Oaths

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**REPORT OF THE SHARIAH COMMITTEE**

We, Y Bhg Tan Sri Dato' Seri (Dr) Harussani bin Haji Zakaria and Y Bhg Assistant Prof. Dr. Ismail bin Mohd @ Abu Hassan, being members of the Shariah Committee of Etiqa Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the activities of the Company's business for the financial year ended 30 June 2009 have been conducted in conformity with the requirements of Shariah.

Signed on behalf of the Committee

Y Bhg Tan Sri Dato' Seri (Dr) Harussani  
bin Haji Zakaria

Y Bhg Assistant Prof. Dr. Ismail  
bin Mohd @ Abu Hassan

Kuala Lumpur, Malaysia  
14 August 2009

Independent auditors' report to the member of  
Etika Takaful Berhad  
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Etika Takaful Berhad, which comprise the balance sheets as at 30 June 2009, and the income statement, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 81.

***Directors' responsibility for the financial statements***

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the member of  
Etiqua Takaful Berhad (Cont'd.)  
(Incorporated in Malaysia)

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 June 2009 and of its financial performance and cash flows for the year then ended.

#### Reporting on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, 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.

#### Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Gloria Goh Ewe Gim  
No.1685/04/11(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
14 August 2009

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
<b>Shareholder's Fund Assets</b>			
Property, plant and equipment	3	3,179	5,113
Intangible assets	4	5,180	6,494
Investments	5	210,978	123,470
Financing receivables	6	14,088	13,669
Receivables	8	180,445	159,107
Cash and bank balances		3,626	12,187
<b>Total Shareholder's Fund Assets</b>		417,496	320,040
<b>Total General Takaful Fund Assets (page 20)</b>		744,950	633,649
<b>Total Takaful Investment-linked Fund Assets</b>	20	401,035	327,490
<b>Total Family Takaful Fund Assets (page 22)</b>		4,429,452	3,753,839
<b>TOTAL ASSETS</b>		<u>5,992,933</u>	<u>5,035,018</u>
<b>EQUITY, TAKAFUL FUNDS AND LIABILITIES</b>			
<b>Equity Attributable to Equity Holder of the Company</b>			
Share capital	9	100,000	100,000
Retained profits		253,338	175,642
<b>Total Equity</b>		<u>353,338</u>	<u>275,642</u>
<b>Takaful Funds</b>			
General Takaful Fund	10	342,530	294,444
Takaful Investment-linked Fund	20	390,849	293,435
Family Takaful Fund	11	4,219,922	3,513,703
<b>Total Takaful Funds</b>		<u>4,953,301</u>	<u>4,101,582</u>

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****BALANCE SHEET**  
**AS AT 30 JUNE 2009 (CONT'D.)**

	Note	2009 RM'000	2008 RM'000
<b>EQUITY, TAKAFUL FUNDS AND LIABILITIES (CONT'D)</b>			
<b>Liabilities</b>			
Deferred tax liabilities	7	1,262	1,270
Payables	13	45,841	32,196
Tax payable		17,055	10,932
<b>Total Shareholder's Fund liabilities</b>		<u>64,158</u>	<u>44,398</u>
<b>Total General Takaful Fund liabilities (page 20)</b>		402,420	339,205
<b>Total Takaful Investment-linked Fund liabilities</b>	20	10,186	34,055
<b>Total Family Takaful Fund liabilities (page 22)</b>		209,530	240,136
<b>Total Liabilities</b>		<u>686,294</u>	<u>657,794</u>
 <b>TOTAL EQUITY, TAKAFUL FUNDS AND LIABILITIES</b>		 <u>5,992,933</u>	 <u>5,035,018</u>

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
Operating revenue	14	1,674,643	1,158,620
Shareholder's fund:			
Investment income	16	6,723	6,369
Wakalah fees	14	106,355	65,584
- General Takaful fund		82,307	56,800
- Family Takaful fund		20,785	7,132
- Takaful Investment-linked fund	20	3,263	1,652
Commission expenses		(44,534)	(27,535)
Management expenses	17	(68,119)	(51,863)
Other income, (net)	18	12,038	16,989
		12,463	9,544
Transfers from Takaful revenue accounts :			
- General Takaful fund (page 21)		28,238	32,537
- Family Takaful fund (page 23)		50,169	41,014
<b>Profit before taxation and zakat</b>		90,870	83,095
Taxation	19	(9,141)	(19,390)
Zakat		(4,033)	(3,402)
<b>Net profit for the year</b>		77,696	60,303
Basic earnings per share (sen)	21	77.7	60.3

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2009****Attributable to Equity Holder of the Company**

	<b>Share Capital RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 July 2007</b>	100,000	115,339	215,339
Net profit for the year	-	60,303	60,303
<b>At 30 June 2008</b>	100,000	175,642	275,642
Net profit for the year	-	77,696	77,696
<b>At 30 June 2009</b>	100,000	253,338	353,338

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****GENERAL TAKAFUL FUND BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	48	122
Intangible assets	4	7,777	6,812
Investments	5	627,795	506,572
Financing receivables	6	1,774	1,830
Receivables	8	74,760	76,958
Cash and bank balances		32,796	41,355
<b>Total General Takaful Fund Assets</b>		<u>744,950</u>	<u>633,649</u>
<b>LIABILITIES</b>			
Provision for outstanding claims	12	212,923	172,754
Payables	13	175,713	149,854
Deferred tax liabilities	7	-	85
Tax payable		13,784	16,512
<b>Total General Takaful Fund Liabilities</b>		<u>402,420</u>	<u>339,205</u>
<b>TAKAFUL FUND</b>			
General Takaful Fund	10	342,530	294,444
<b>Total General Takaful Fund Liabilities and Takaful Fund</b>		<u>744,950</u>	<u>633,649</u>

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**GENERAL TAKAFUL FUND REVENUE ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

Note	Fire		Motor		Marine, aviation and transit ("MAT")		Miscellaneous ("Misc.")		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	63,195	60,677	243,176	149,754	7,552	7,504	59,234	43,877	373,157	261,812
Gross contributions	59,024	55,694	227,127	137,457	7,054	7,033	55,325	40,147	348,530	240,331
Retakaful	(24,810)	(18,078)	(5,233)	(4,030)	(3,497)	(6,552)	(16,511)	(15,359)	(50,051)	(44,019)
Net contributions	34,214	37,616	221,894	133,427	3,557	481	38,814	24,788	298,479	196,312
(Increase) / decrease in unearned contribution reserves	(11,622)	(8,655)	(27,769)	(5,295)	(1,859)	19	(2,284)	(2,094)	(43,534)	(16,025)
Earned contributions	22,592	28,961	194,125	128,132	1,698	500	36,530	22,694	254,945	180,287
Net claims (incurred)/recovered	(6,010)	(4,774)	(134,327)	(80,827)	(1,236)	133	(8,570)	1,083	(150,143)	(84,385)
Net commissions	6,909	5,604	(219)	(1,141)	505	752	3,285	3,484	10,480	8,699
Underwriting surplus before wakalah fees and management expenses	23,491	29,791	59,579	46,164	967	1,385	31,245	27,261	115,282	104,601
Wakalah fees									(82,307)	(56,800)
Management expenses									(1,153)	(7,669)
Underwriting surplus									31,822	40,132
Investment income									24,627	21,481
Other (expenditure) / income, (net)									(3,757)	6,964
Writeback of / (provision for) doubtful debts									3,784	(916)
Surplus attributable to the Company and participants for the year									56,476	67,661
Surplus attributable to the Company and transferred to Income Statement									(28,238)	(32,537)
Surplus before taxation									28,238	35,124
Taxation									85	-
Net surplus attributable to participants for the year									28,323	35,124
Mudharabah paid & payable to participants during the year									(23,771)	(1,245)
Surplus transferred to General Takaful Fund									4,552	33,879

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****FAMILY TAKAFUL FUND BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	25	145
Intangible assets	4	2,881	3,366
Investments	5	4,186,341	3,523,734
Financing receivables	6	54,349	40,972
Deferred tax assets	7	-	70
Receivables	8	146,085	120,551
Cash and bank balances		39,771	65,001
<b>Family Takaful Fund Assets</b>		<u>4,429,452</u>	<u>3,753,839</u>
Takaful Investment-linked Fund assets	20	401,035	327,490
<b>Total Fund Assets</b>		<u>4,830,487</u>	<u>4,081,329</u>
<b>LIABILITIES</b>			
Provision for outstanding claims	12	41,404	39,725
Payables	13	149,073	159,493
Deferred tax liabilities	7	-	-
Tax payable		19,053	40,918
<b>Family Takaful Fund Liabilities</b>		<u>209,530</u>	<u>240,136</u>
Takaful Investment-linked Fund liabilities	20	10,186	34,055
<b>Total Family Takaful Fund Liabilities</b>		<u>219,716</u>	<u>274,191</u>
<b>TAKAFUL FUNDS</b>			
Family Takaful Fund	11	4,219,922	3,513,703
Takaful Investment-linked Fund	20	390,849	293,435
		<u>4,610,771</u>	<u>3,807,138</u>
<b>Total Fund Liabilities and Takaful Funds</b>		<u>4,830,487</u>	<u>4,081,329</u>

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****FAMILY TAKAFUL FUND REVENUE ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
Operating revenue	14	<u>1,188,408</u>	<u>824,855</u>
Gross contributions		1,012,207	658,422
Retakaful		<u>(9,065)</u>	<u>(15,666)</u>
Net contributions		1,003,142	642,756
Benefits paid and payable:			
Death		(112,276)	(78,717)
Maturity		(6,332)	(3,983)
Surrender		(97,344)	(87,606)
Others		<u>(40,477)</u>	<u>(28,789)</u>
		<u>(256,429)</u>	<u>(199,095)</u>
Net commission and agency expenses		(145,935)	(102,345)
Wakalah fees		(20,785)	(7,132)
Management expenses	17	<u>(73,340)</u>	<u>(77,112)</u>
		<u>(240,060)</u>	<u>(186,589)</u>
Underwriting surplus		506,653	257,072
Investment income	16	176,201	166,433
Other income, (net)	18	21,783	42,147
Surplus before taxation		<u>704,637</u>	<u>465,652</u>
Taxation	19	<u>(70)</u>	<u>-</u>
Surplus for the year		704,567	465,652
Family Takaful Fund at beginning of year		3,513,703	2,953,035
Mudharabah paid to participants during the year		(5,863)	(2,211)
Surplus transferred to the Income Statement		(50,169)	(41,014)
Qardhul Hasan	8	57,684	-
Transferred from Mayban Takaful Berhad		-	138,241
Family Takaful Fund at end of year	11	<u>4,219,922</u>	<u>3,513,703</u>

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 RM'000	2008 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation and zakat		90,870	83,095
Adjustments for:			
Depreciation of property, plant and equipment		2,949	5,052
Amortisation of intangible assets		3,479	9,324
(Write back) / provision for doubtful debts		(740)	916
Net gain on disposal of investments		(22,526)	(37,357)
Investment income		(169,716)	(195,021)
Net write-back of diminution in value of investments		(15,355)	(10,966)
Increase in unearned contribution reserves		43,534	16,025
Increase in General Takaful Fund		28,238	35,124
Increase in Family Takaful Fund		657,184	449,792
Operating profit before working capital changes		<u>617,917</u>	<u>355,984</u>
Proceeds from disposal of investments		627,835	498,661
Purchase of investments		(1,451,476)	(827,654)
Decrease in fund managers assets		103,370	-
Increase in trade receivables		(49,482)	(20,794)
Increase in other receivables		(50,295)	(156,534)
Increase in trade payables		-	9,752
Increase in other payables		88,578	113,511
(Increase)/decrease in financing receivables		(13,742)	1,532
Increase in placements of Islamic investment accounts		(114,041)	(138,526)
Increase in provision for outstanding claims		41,849	47,651
		<u>(199,488)</u>	<u>(116,417)</u>
Investment income received		168,164	166,694
Transferred from MTB		-	3,394
Zakat paid		(2,797)	(3,500)
Taxation paid		(15,814)	(15,494)
Taxation refund		12,380	-
Mudharabah paid to participants		(1,301)	(3,456)
Net cash (used in)/generated from operating activities	22	<u>(38,856)</u>	<u>31,221</u>

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)**

	Note	2009 RM'000	2008 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(171)	-
Purchase of property and equipment		<u>(3,323)</u>	<u>(608)</u>
Net cash used in investing activities	22	<u>(3,494)</u>	<u>(608)</u>
<b>Net increase in cash and cash equivalents</b>	22	(42,350)	30,613
<b>Cash and cash equivalents at beginning of year</b>		<u>118,543</u>	<u>87,930</u>
<b>Cash and cash equivalents at end of year</b>		<u>76,193</u>	<u>118,543</u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances of:			
Shareholder's Fund		3,626	12,187
General Takaful Fund		32,796	41,355
Family Takaful Fund		<u>39,771</u>	<u>65,001</u>
		<u>76,193</u>	<u>118,543</u>

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

**ETIQA TAKAFUL BERHAD**  
**(Incorporated in Malaysia)****NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2009****1. CORPORATE INFORMATION**

The Company is principally engaged in the management of general, family takaful and investment linked business.

There have been no significant changes in the nature of the activities of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank 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 12 August 2009.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of Preparation**

The financial statements of the Company have been prepared under the historical cost convention, except for the valuation of the investments of the takaful investment linked funds at market value, and comply with Financial Reporting Standards ("FRS") in Malaysia. The financial statements are modified to comply with the principles of Shariah and the provisions of the Companies Act, 1965, the Takaful Act, 1984 and the Guidelines and Circulars issued by Bank Negara Malaysia ("BNM").

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

**2.2 Summary of Significant Accounting Policies****(a) General Takaful Fund**

The General Takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves and surplus/deficit attributable to participants which represents the participants' share in the net surplus of the General Takaful revenue account. Any deficit in the General Takaful fund will be made good by the Shareholder's fund via a benevolent loan or Qardhul Hasan. Surplus is distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) General Takaful Fund (Cont'd)**

The General Takaful underwriting results are determined for each class of business after taking into account retakaful, unearned contributions reserves, claims incurred, Wakalah fees and management expenses.

**(i) Contribution income**

Contribution is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of Shariah.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward retakaful contributions are recognised in the same financial period as the original certificate to which the retakaful relates.

**(ii) Unearned contribution reserves**Mudharabah

The short-term unearned contribution reserves ("UCR") represent the portion of net contribution income on takaful certificates written that relate to the unexpired periods of certificates at the end of the financial period.

In determining the UCR at the balance sheet date, the method that most accurately reflects the actual unearned contribution is used as follows:

- earned upon maturity method for bond business;
- 25% method for marine cargo and aviation cargo, transit business; and
- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

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

The long term UCR represent the portion of net contribution income of long-term takaful certificates underwritten, that relate to the unexpired periods of the certificates at the end of the financial year. The contribution income is recognised on a time apportionment basis over the duration of the certificates.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(a) General Takaful Fund (Cont'd)****(ii) Unearned contribution reserves (Cont'd)**Wakalah

The UCR for Wakalah business is calculated on net contribution income with a further deduction for Wakalah fee expenses to reflect the Wakalah business principle. The method used to calculate UCR is the same as the Mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by shareholders' fund.

**(iii) Provision for claims**

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present 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 the balance sheet date, based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on an actual claims development pattern.

**(iv) Commission expenses/acquisition costs**

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

Under the Mudharabah principle, commission expenses are borne by the General Takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the Wakalah principle, commission expenses are borne by the Shareholder's fund at an agreed percentage of the gross contributions. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

Commission expenses on long term certificates are recognised as incurred based on the time-apportionment method over the period of the takaful certificates.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(b) Family Takaful Fund**

The Family Takaful funds are maintained in accordance with the requirements of the Takaful Act, 1984 and include the amount attributable to participants.

The Family Takaful fund surplus/deficit is determined by an annual actuarial valuation of the Family Takaful funds. Surplus distributable to participants is determined after deducting retakaful, claims/benefits paid and payable, expenses, provisions and reserves and distributed in accordance with the terms and conditions prescribed by the Shariah Committee.

**(i) Contribution income**

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

At the end of the financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same financial period as the original certificates to which the retakaful relates.

**(ii) Provision for claims**

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

Recoveries on retakaful claims are accounted for in the same financial period as the original claims are recognised.

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(b) Family Takaful Fund (Cont'd.)****(iii) Commission expenses/acquisition costs**

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

Under the Mudharabah principle, commission expenses are borne by the Family Takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the Wakalah principle, commission expenses are borne by the shareholders' fund at an agreed percentage of the gross contributions. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

**(c) Other revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

**(i) Profit income**

Profit income is recognised on a time proportion basis that reflects the effective yield on the asset except for profit on financing receivables which are considered non-performing, i.e. when repayments are in arrears for more than three months, in which case, recognition of such profit is suspended with retrospective adjustment made to the date of first default. Subsequent to suspension, profit is recognised on a receipt basis until all arrears have been paid.

**(ii) Dividend income**

Dividend income is recognised on a declared basis when the Company's right to receive payment is established.

**(iii) Wakalah fees**

Wakalah fees represent fees charged by the Shareholder's fund to manage takaful certificates issued by the General and Family Takaful funds under the principle of Wakalah and are recognised as soon as the contributions to which they relate, can be reliably measured in accordance with the principles of Shariah.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(d) Employee Benefits****(i) Short-term benefits**

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period 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 absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plan**

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement/revenue account as incurred. As required by law, the Company makes such contributions to the national pension scheme, the Employees Provident Fund ("EPF").

**(iii) Share-based Compensation**

The ultimate holding company's share-based compensation scheme, Maybank Employee Share Options Scheme ("ESOS"), allows the employees of Malayan Banking Berhad and its subsidiaries ("the Group") to acquire ordinary shares of the ultimate holding company.

The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase within equity as capital contribution from the ultimate holding company over the vesting period and taking into account the probability that the options will vest. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(e) Impairment of Assets**

The carrying amount of 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.

An impairment loss is recognised in the income statement and/or revenue account in the period in which it arises.

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 the income statement and/or revenue account.

**(f) Property, Plant and 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 initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(f) Property, Plant and Equipment and Depreciation (Cont'd.)**

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

Furniture, fittings, equipment and renovations	10% - 20%
Computers and peripherals	20% - 25%
Motor vehicles	20% - 25%

The residual values, useful lives 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 the income statement and/or revenue account.

**(g) Leases****(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards are classified as operating leases.

**(ii) Operating Leases - The Company as Lessee**

Operating lease payments are recognised as expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies

#### (h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less 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-line 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 and/or revenue accounts.

Intangible assets with definite 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.

#### (i) Software development costs

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future use. During the period of which the asset is not yet in use, it is tested for impairment annually.

#### (ii) Software

The useful lives of computer software and licenses are amortised using the straight line method over their estimated useful lives of 2-5 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.

#### (i) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(i) Foreign Currency Transactions (Cont'd.)**

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement and/or revenue account for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement and or/revenue account.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where the monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement and or/revenue account for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement and or/revenue account for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(j) Income Tax**

Income tax on the income statement/revenue account for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial 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 profits 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 as an income or an expense and included in the income statement/revenue account for the period, 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 (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(k) Zakat**

This represents tithes payable by the Company to comply with the principles of Shariah. Zakat is computed based on the Working Capital Method at 2.5% as decreed by the Shariah Committee. Zakat is computed on the percentage of Muslim shareholdings.

**(l) Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances, but do not include Islamic Investment Accounts.

**(m) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Profits, dividends, gains and losses relating to financial instruments classified as liabilities, 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.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under takaful certificates are excluded from the scope of FRS 132 - Financial Instruments Disclosure and Presentation.

**(i) Malaysian Government Securities and other approved investments**

Malaysian Government Securities ("MGS") and other approved investments inclusive of Government Investment Issues ("GII") and Negotiable Islamic Certificate of Deposits ("NICD") as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis, from the date of purchase to maturity date.

Amortisation of premiums and accretion of discounts are charged to the income statement and or/revenue accounts.

**(ii) Government guaranteed bonds and unquoted corporate bonds**

Government guaranteed bonds and unquoted corporate bonds which are secured or carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on an effective yield basis, from the date of purchase to their respective maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and net realisable value.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(m) Financial Instruments (Cont'd.)****(iii) Quoted investments**

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution of a particular investment is not regarded as temporary, provision is made against the value of that investment.

Cost is determined on a weighted average basis while market value is determined based on market prices as at balance sheet date.

In previous years, a further annual general provision for diminution in value of quoted investments was made in the Takaful Funds, computed on the basis of 8% of the surplus of the General and Family Takaful Funds attributable to participants and the Takaful operator, in accordance with BNM Guidelines. This annual general provision was charged to the revenue accounts of the respective Takaful Funds.

The practise of making general provisions for diminution in value has ceased and the balance of provision remaining has been maintained in the balance sheets of the General and Family Takaful Funds, pending further instructions from BNM.

**(iv) Unquoted investments**

Unquoted investments are stated at cost less any accumulated impairment losses.

**(v) Investments of Investment-linked funds**

All investments of the investment-linked funds are stated at closing market prices or indicative market prices as at balance sheet date.

Any increase or decrease in value of investments is taken into the investment-linked funds income statements.

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and its carrying amounts. Gain or loss on disposal of investment is recognised in the income statement and/or revenue account.

**(vi) Loans and receivables**

Loans and receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Specific provisions are made for any contributions including agents, brokers and reinsurers balances which remain outstanding for more than six months (except for motor contribution balances which remain outstanding for more than 30 days) from the date on which they become receivable and for all debts which are considered doubtful.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(m) Financial Instruments (Cont'd.)****(vii) Payables**

Payables are stated at the fair value of the consideration to be paid in the future for goods and services rendered.

**(viii) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

**2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and interpretations**

The accounting policies applied by the Company are consistent with those adopted in the previous years.

**Standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following new FRSs, amendment to FRS and Interpretations have been issued but are not yet effective and have not been adopted by the Company:

<b>FRS, Amendments to FRS and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
(i) FRS 4 : Insurance Contracts	1 January 2010
(ii) FRS 7 : Financial Instruments-Disclosures	1 January 2010
(iii) FRS 8 : Operating Segments	1 July 2009
(iv) FRS 139 : Financial Instruments - Recognition and Measurement	1 January 2010
(v) FRS 123 : Borrowing Costs	1 January 2010
(iv) Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
(v) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
(vii) IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
(viii) IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
(ix) IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions	1 January 2010
(x) IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
(xi) IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The impact of applying FRS 4 and 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 7, FRS 8, FRS 123, Amendments to FRS 1 and 2, IC Interpretation 9, 10, 11, 13 and 14 are not expected to have significant impact on the financial statements of the Company except for changes in disclosures arising from the adoption of FRS 7.

### 2.4 Significant Accounting Estimates and Judgements

#### 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.

#### (i) Amortisation and impairment of other intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

#### (ii) Deferred tax assets

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which actual realisation and settlement occurs.

#### (iii) Uncertainty in accounting estimates for General Takaful business

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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.4 Significant Accounting Estimates and Judgements (Cont'd.)****Key Sources of Estimation Uncertainty (Cont'd.)****(iii) Uncertainty in accounting estimates for General Takaful business (Cont'd.)**

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 contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

The estimates of contribution 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 contribution 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 magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

**(iv) Uncertainty in accounting estimates for Family Takaful business**

For Family Takaful certificates, 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 contributions. For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

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

**(v) Impairment of unquoted investments**

Impairment of unquoted investments is made after considering several factors, including business viability of the investee, potential recovery of capital invested and present values of any future dividend or income streams thereon. The present values of future income streams are measured by applying an expected rate of return that reflects the risk profile of the investment. These are compared against the carrying costs of investments and appropriate judgement and consideration is made by management to ascertain if the current carrying costs continue to be relevant. This assessment is performed at each balance sheet date and is critically reviewed by management, taking into consideration specific industry and economic factors relevant to the investment concerned.

**3. PROPERTY, PLANT AND EQUIPMENT****Shareholder's Fund**

	<b>Furniture, fittings, office equipment &amp; renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 July 2008	17,586	15,740	659	33,985
Additions	803	18	-	821
At 30 June 2009	<u>18,389</u>	<u>15,758</u>	<u>659</u>	<u>34,806</u>
<b>Accumulated Depreciation</b>				
At 1 July 2008	13,713	14,573	586	28,872
Charge for the year	1,724	959	72	2,755
At 30 June 2009	<u>15,437</u>	<u>15,532</u>	<u>658</u>	<u>31,627</u>
<b>Net Book Value</b>				
At 30 June 2009	<u>2,952</u>	<u>226</u>	<u>1</u>	<u>3,179</u>
<b>Cost</b>				
At 1 July 2007	17,212	15,647	660	33,519
Additions	509	46	-	555
Disposals	(395)	(47)	(103)	(545)
Transferred from Mayban Takaful Berhad ("MTB")	260	94	102	456
At 30 June 2008	<u>17,586</u>	<u>15,740</u>	<u>659</u>	<u>33,985</u>
<b>Accumulated Depreciation</b>				
At 1 July 2007	11,848	11,991	550	24,389
Charge for the year	2,119	2,519	37	4,675
Disposals	(415)	(31)	(103)	(549)
Transferred from MTB	161	94	102	357
At 30 June 2008	<u>13,713</u>	<u>14,573</u>	<u>586</u>	<u>28,872</u>
<b>Net Book Value</b>				
At 30 June 2008	<u>3,873</u>	<u>1,167</u>	<u>73</u>	<u>5,113</u>

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)****General Takaful Fund**

	<b>Furniture, fittings, office equipment &amp; renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2008/ 30 June 2009	579	1,514	2,093
<b>Accumulated Depreciation</b>			
At 1 July 2008	548	1,423	1,971
Charge for the year	12	62	74
At 30 June 2009	560	1,485	2,045
<b>Net Book Value</b>			
At 30 June 2009	19	29	48
<b>Cost</b>			
At 1 July 2007	589	1,517	2,106
Additions	28	-	28
Disposals	(38)	(3)	(41)
At 30 June 2008	579	1,514	2,093
<b>Accumulated Depreciation</b>			
At 1 July 2007	564	1,308	1,872
Charge for the year	17	118	135
Disposals	(33)	(3)	(36)
At 30 June 2008	548	1,423	1,971
<b>Net Book Value</b>			
At 30 June 2008	31	91	122

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)****Family Takaful Fund**

	<b>Furniture, fittings, office equipment &amp; renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 July 2008/ 30 June 2009	1,838	1,859	102	3,799
<b>Accumulated Depreciation</b>				
At 1 July 2008	1,709	1,843	102	3,654
Charge for the year	107	13	-	120
At 30 June 2009	1,816	1,856	102	3,774
<b>Net Book Value</b>				
At 30 June 2009	22	3	-	25
<b>Cost</b>				
At 1 July 2007	1,862	1,867	102	3,831
Additions	25	-	-	25
Write-offs	(49)	(8)	-	(57)
At 30 June 2008	1,838	1,859	102	3,799
<b>Accumulated Depreciation</b>				
At 1 July 2007	1,553	1,814	102	3,469
Charge for the year	205	37	-	242
Write-offs	(49)	(8)	-	(57)
At 30 June 2008	1,709	1,843	102	3,654
<b>Net Book Value</b>				
At 30 June 2008	129	16	-	145

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Included in property, plant and equipment of the Company are the costs of fully depreciated assets, which are still in use, as follows:

	<b>Shareholder's Fund RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Family Takaful Fund RM'000</b>
<b>2009</b>			
Furniture, fittings, office equipment and renovations	5,950	538	1,805
Computers and peripherals	19,819	12,315	7,591
Motor vehicles	479	-	102
	<u>26,248</u>	<u>12,853</u>	<u>9,498</u>
<b>2008</b>			
Furniture, fittings, office equipment and renovations	7,243	425	834
Computers and peripherals	6,446	1,223	1,808
Motor vehicles	479	-	102
	<u>14,168</u>	<u>1,648</u>	<u>2,744</u>

**4. INTANGIBLE ASSETS****Shareholder's Fund**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2008	1,954	12,535	14,489
Additions	-	198	198
Disposals			
Adjustment	(27)	-	(27)
Reclassification	(1,602)	1,602	-
At 30 June 2009	<u>325</u>	<u>14,335</u>	<u>14,660</u>
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2008	-	7,995	7,995
Amortisation charge for the year	-	1,485	1,485
At 30 June 2009	<u>-</u>	<u>9,480</u>	<u>9,480</u>
<b>Net Book Value</b>			
At 30 June 2009	<u>325</u>	<u>4,855</u>	<u>5,180</u>

**4. INTANGIBLE ASSETS (CONT'D)****Shareholder's Fund (Cont'd)**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2007	2,797	8,002	10,799
Additions	1,250	2,446	3,696
Disposals	-	(6)	(6)
Transfers	(2,093)	2,093	-
At 30 June 2008	<u>1,954</u>	<u>12,535</u>	<u>14,489</u>
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2007	-	6,405	6,405
Amortisation charge for the year	-	1,590	1,590
At 30 June 2008	<u>-</u>	<u>7,995</u>	<u>7,995</u>
<b>Net Book Value</b>			
At 30 June 2008	<u>1,954</u>	<u>4,540</u>	<u>6,494</u>

**General Takaful Fund**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2008	5,376	11,174	16,550
Additions	2,310	-	2,310
At 30 June 2009	<u>7,686</u>	<u>11,174</u>	<u>18,860</u>
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2008	-	9,737	9,737
Amortisation charge for the year	-	1,346	1,346
At 30 June 2009	<u>-</u>	<u>11,083</u>	<u>11,083</u>
<b>Net Book Value</b>			
At 30 June 2009	<u>7,686</u>	<u>91</u>	<u>7,777</u>

**4. INTANGIBLE ASSETS (CONT'D)****General Takaful Fund (Cont'd)**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2007	-	11,097	11,097
Additions	5,376	77	5,453
Disposals	-	(1)	(1)
At 30 June 2008	<u>5,376</u>	<u>11,173</u>	<u>16,549</u>
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2007	-	3,877	3,877
Amortisation charge for the year	-	5,860	5,860
At 30 June 2008	<u>-</u>	<u>9,737</u>	<u>9,737</u>
<b>Net Book Value</b>			
At 30 June 2008	<u>5,376</u>	<u>1,436</u>	<u>6,812</u>

**Family Takaful Fund**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2008	1,490	8,293	9,783
Additions	164	-	164
Transfers	(246)	246	-
At 30 June 2009	<u>1,408</u>	<u>8,539</u>	<u>9,947</u>
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2008	-	6,417	6,417
Amortisation charge for the year	-	649	649
At 30 June 2009	<u>-</u>	<u>7,066</u>	<u>7,066</u>
<b>Net Book Value</b>			
At 30 June 2009	<u>1,408</u>	<u>1,473</u>	<u>2,881</u>

**4. INTANGIBLE ASSETS (CONT'D)****Family Takaful Fund (Cont'd)**

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2007	1,224	6,012	7,236
Additions	330	2,217	2,547
Transfers	(64)	64	-
At 30 June 2008	1,490	8,293	9,783
<b>Accumulated Amortisation and Impairment</b>			
At 1 July 2007	-	4,543	4,543
Amortisation charge for the year	-	1,874	1,874
At 30 June 2008	-	6,417	6,417
<b>Net Book Value</b>			
At 30 June 2008	1,490	1,876	3,366

**5. INVESTMENTS****Shareholder's Fund**

	<b>2009</b>		<b>2008</b>	
	<b>Cost RM'000</b>	<b>Market/ indicative value RM'000</b>	<b>Cost RM'000</b>	<b>Market/ indicative value RM'000</b>
Securities of corporations, quoted in Malaysia	11,940	12,180	20,183	23,543
Islamic institutional trusts	245	252	104	106
Government Investment Issues	17,176		-	
Net amortisation of premiums	(6)		-	
	17,170	16,805	-	-

**5. INVESTMENTS (CONT'D)****Shareholder's Fund (Cont'd)**

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Corporate bonds	74,664		52,074	
Net accretion of discounts/ (amortisations of premiums)	197		(394)	
	<u>74,861</u>	<u>76,543</u>	<u>51,680</u>	<u>50,974</u>
Unquoted shares of corporations	<u>230</u>		<u>230</u>	
Malaysian Government guaranteed bonds	19,649		19,649	
Net amortisation of premiums	(1,001)		(515)	
	<u>18,648</u>	<u>17,816</u>	<u>19,134</u>	<u>17,535</u>
Islamic Investment Accounts with Licensed banks	8,709		19,350	
Other financial institutions <sup>1</sup>	79,175		12,789	
	<u>87,884</u>		<u>32,139</u>	
Total investments	<u>210,978</u>		<u>123,470</u>	

<sup>1</sup> other financial institutions comprise of investment banks

(i) Maturity structure of investments of the Shareholder's fund, at cost (excluding securities of corporations and institutional trusts) are as follows:

2009	< 1 year	1 to	3 to	> 5 years	Total
	< 3 years	5 years	> 5 years		
	RM'000	RM'000	RM'000	RM'000	RM'000
Corporate bonds	6,510	4,964	6,060	57,130	74,664
Malaysian Government guaranteed bonds	-	-	-	19,649	19,649
Government Investment Issues	-	-	11,986	5,190	17,176
Islamic Investment Accounts	<u>87,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,884</u>
<b>2008</b>					
Corporate bonds	-	6,254	-	45,820	52,074
Malaysian Government guaranteed bonds	-	-	-	19,649	19,649
Islamic Investment Accounts	<u>32,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,139</u>

**5. INVESTMENTS (CONT'D)****Shareholder's Fund (Cont'd)**

- (ii) The weighted average profit rates of profit-bearing investments of the Shareholder's fund at the balance sheet date were as follows:

	2009 % per annum	2008 % per annum
Corporate bonds	6.45	6.69
Malaysian Government guaranteed bonds	3.57	3.57
Government Investment Issues	3.86	-
Islamic Investment Accounts	1.87	3.53

**General Takaful Fund**

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Securities of corporations, quoted in Malaysia	37,953		42,285	
General provision for diminution in value (Note 2.2 (m) (iii))	(8,672)		(8,672)	
	<u>29,281</u>	43,695	<u>33,613</u>	54,816
Islamic institutional trusts	1,549	1,668	666	852
Government Investment Issues	7,854		24,360	
Net accretion of discounts	141		3,321	
	<u>7,995</u>	8,105	<u>27,681</u>	27,714
Corporate bonds	303,746		220,365	
Net accretion of discounts	503		239	
	<u>304,249</u>	303,987	<u>220,604</u>	213,832
Malaysian Government guaranteed bonds	91,078		40,409	
Net amortisation of premiums	(3,257)		(2,404)	
	<u>87,821</u>	86,612	<u>38,005</u>	30,394
Khazanah Nasional Berhad ("Khazanah") bonds	8,110		16,509	
Net accretion of discounts	1,802		2,873	
	<u>9,912</u>	9,959	<u>19,382</u>	19,398

**5. INVESTMENTS (CONT'D)****General Takaful Fund (Cont'd)**

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Negotiable Islamic Certificate				
Deposits	25,531		25,531	
Net accretion of discounts	3,132		1,765	
	<u>28,663</u>	<u>30,263</u>	<u>27,296</u>	<u>26,788</u>
Islamic Investment Accounts with:				
Licensed banks	104,470		104,251	
Other financial institutions <sup>1</sup>	53,855		35,074	
	<u>158,325</u>		<u>139,325</u>	
Total investments	<u>627,795</u>		<u>506,572</u>	

<sup>1</sup> other financial institutions comprise of investment banks

(i) Maturity structure of investments of the General Takaful fund, at cost (excluding securities of corporations and institutional trusts) is as follows:

2009	< 1 years RM'000	1 to	3 to	> 5 years RM'000	Total RM'000
		< 3 years RM'000	5 years RM'000		
Government Investment					
Issues	-	745	2,054	5,055	7,854
Corporate bonds	24,729	96,769	124,404	57,844	303,746
Malaysian Government					
guaranteed bonds	-	-	50,669	40,409	91,078
Khazanah bonds	8,110	-	-	-	8,110
Negotiable Islamic					
Certificate Deposits	3,194	3,993	12,429	5,915	25,531
Islamic investment					
accounts	<u>158,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,325</u>
<b>2008</b>					
Government Investment					
Issues	-	-	19,305	5,055	24,360
Corporate bonds	10,508	39,356	74,854	95,647	220,365
Malaysian Government					
guaranteed bonds	-	-	-	40,409	40,409
Khazanah bonds	8,399	8,110	-	-	16,509
Negotiable Islamic					
Certificate Deposits	-	7,187	11,721	6,623	25,531
Islamic investment					
accounts	<u>81,676</u>	<u>-</u>	<u>57,649</u>	<u>-</u>	<u>139,325</u>

**5. INVESTMENTS (CONT'D)****General Takaful Fund (Cont'd)**

- (ii) The weighted average profit rates of profit-bearing investments of the General Takaful Fund at the balance sheet date were as follows:

	<b>2009</b>	<b>2008</b>
	%	%
	per annum	per annum
Government Investment Issues	4.13	4.30
Corporate bonds	5.06	5.26
Malaysian Government guaranteed bonds	3.97	4.16
Khazanah bonds	4.10	4.16
Negotiable Islamic Certificate Deposits	4.92	4.93
Islamic Investment Accounts	2.39	4.30

**Family Takaful Fund**

	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Market/ indicative value</b>	<b>Cost</b>	<b>Market/ indicative value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Securities of corporations quoted in Malaysia	224,884		282,721	
Provision for diminution in value in value (Note 2.2 (m) (iii))	(45,750)		(45,750)	
	<u>179,134</u>	<u>242,762</u>	<u>236,971</u>	<u>374,490</u>
Islamic institutional trusts	<u>45,066</u>	<u>45,066</u>	<u>48,760</u>	<u>49,473</u>
Government Investment Issues	202,685		67,632	
Net accretion of discounts	6,715		9,356	
	<u>209,400</u>	<u>208,004</u>	<u>76,988</u>	<u>77,313</u>
Malaysian Government guaranteed bonds	486,976		318,523	
Net amortisation of premiums	(13,925)		(10,502)	
	<u>473,051</u>	<u>473,950</u>	<u>308,021</u>	<u>312,568</u>
Corporate bonds	1,929,885		1,564,694	
Net accretion of discounts	11,350		7,192	
	<u>1,941,235</u>	<u>1,938,790</u>	<u>1,571,886</u>	<u>1,516,219</u>

**5. INVESTMENTS (CONT'D)****Family Takaful Fund (Cont'd)**

	<b>2009</b>	<b>Market/ indicative value RM'000</b>	<b>2008</b>	<b>Market/ indicative value RM'000</b>
Khazanah bonds	199,540		155,545	
Net accretion of discounts	8,037		10,534	
	<u>207,577</u>	199,548	<u>166,079</u>	146,550
Negotiable Islamic Certificate Deposits	134,883		138,789	
Net accretion of discounts	13,090		7,045	
	<u>147,973</u>	156,145	<u>145,834</u>	166,493
Islamic investment accounts with:				
Licensed banks	720,325		719,632	
Other financial institutions <sup>1</sup>	262,580		249,563	
	<u>982,905</u>		<u>969,195</u>	
<b>Total investments</b>	<u><b>4,186,341</b></u>		<u><b>3,523,734</b></u>	

(i) Maturity structure of investments of the Family Takaful fund, at cost (excluding securities of corporations and institutional trusts) is as follows:

<b>2009</b>	<b>&lt; 1 year RM'000</b>	<b>1 to &lt; 3 years RM'000</b>	<b>3 to 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>Total RM'000</b>
Government Investment Issues	-	31,580	71,727	99,378	202,685
Malaysian Government guaranteed bonds	19,864	-	111,817	355,295	486,976
Corporate bonds	38,723	228,376	430,049	1,232,737	1,929,885
Khazanah bonds	-	-	-	199,540	199,540
Negotiable Islamic Certificate Deposits	8,095	43,843	-	82,945	134,883
Islamic Investment Accounts	<u>628,027</u>	<u>354,878</u>	-	-	<u>982,905</u>

**5. INVESTMENTS (CONT'D)****Family Takaful Fund (Cont'd)**

<b>2008</b>	<b>&lt; 1 year RM'000</b>	<b>&lt; 3 years RM'000</b>	<b>5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>Total RM'000</b>
Government Investment Issues	-	-	57,917	9,715	67,632
Malaysian Government guaranteed bonds	-	-	-	318,523	318,523
Corporate bonds	43,282	186,767	255,147	1,079,498	1,564,694
Khazanah bonds	41,289	-	-	114,256	155,545
Negotiable Islamic Certificate Deposits	3,906	27,146	24,792	82,945	138,789
Islamic Investment Accounts	403,829	-	565,366	-	969,195

- (ii) The weighted average profit rates of profit-bearing investments of the Family Takaful Fund at the balance sheet date were as follows:

	<b>2009 % per annum</b>	<b>2008 % per annum</b>
Government Investment Issues	3.97	4.31
Malaysian Government guaranteed bonds	4.41	4.43
Corporate bonds	5.70	8.10
Khazanah bonds	4.17	4.43
Negotiable Islamic Certificate Deposits	4.93	4.87
Islamic Investment Accounts	2.60	4.31

**6. FINANCING RECEIVABLES**

	<b>Shareholder's Fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Secured staff loans	14,088	13,846
Less: Provision for doubtful debts	-	(177)
	<u>14,088</u>	<u>13,669</u>
Receivable after 12 months	<u>12,466</u>	<u>13,616</u>

**6. FINANCING RECEIVABLES (CONT'D)**

	General Takaful Fund		Family Takaful Fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Secured Al-Bai Bithamin Ajil("ABBA")loans	5,614	5,671	80,149	66,772
Less: Provision for doubtful debts	(3,840)	(3,841)	(25,800)	(25,800)
	<u>1,774</u>	<u>1,830</u>	<u>54,349</u>	<u>40,972</u>
Receivable after 12 months	<u>932</u>	<u>1,059</u>	<u>25,986</u>	<u>12,713</u>

The weighted average profit rate of financing receivables at the balance sheet date was 5.67% (2008: 4.6%).

**7. DEFERRED TAX (LIABILITIES)/ASSETS**

	Shareholder's Fund			
	2009	2008		
	RM'000	RM'000		
At beginning of year	(1,270)	(1,051)		
Recognised in the income statement (Note 19)	8	(219)		
At end of year	<u>(1,262)</u>	<u>(1,270)</u>		

  

	General Takaful Fund		Family Takaful Fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(85)	153	70	465
Transferred from MTB	-	(238)	-	(395)
Recognised in the revenue accounts (Note 19)	85	-	(70)	-
At end of year	<u>-</u>	<u>(85)</u>	<u>-</u>	<u>70</u>

**7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets and liabilities shown in the balance sheet have been determined after appropriate offsetting as follows:

	<b>Shareholder's Fund</b>			
	<b>2009</b>		<b>2008</b>	
	<b>RM'000</b>		<b>RM'000</b>	
Presented after appropriate offsetting as follows:				
Deferred tax assets		203		228
Deferred tax liabilities		(1,465)		(1,498)
		<u>(1,262)</u>		<u>(1,270)</u>
	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>		<b>2008</b>	
	<b>RM'000</b>		<b>RM'000</b>	
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	1,923	-	3,281
Deferred tax liabilities	-	(2,008)	-	(3,211)
	<u>-</u>	<u>(85)</u>	<u>-</u>	<u>70</u>

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

**Shareholder's Fund**

	<b>Accelerated capital</b>		
	<b>Investments</b>	<b>allowances</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2009</b>			
At 1 July 2008	228	(1,498)	(1,270)
Recognised in the income statement	(25)	33	8
At 30 June 2009	<u>203</u>	<u>(1,465)</u>	<u>(1,262)</u>
<b>2008</b>			
At 1 July 2007	122	(1,173)	(1,051)
Recognised in the income statement	106	(325)	(219)
At 30 June 2008	<u>228</u>	<u>(1,498)</u>	<u>(1,270)</u>

**7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)****General Takaful Fund**

<b>2009</b>	<b>Investments</b>	<b>Accelerated</b>	<b>Others</b>	<b>Total</b>
		<b>capital</b>		
	<b>RM'000</b>	<b>allowances</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
At 1 July 2008	(1,107)	(901)	1,923	(85)
Recognised in the revenue account	1,107	901	(1,923)	85
At 30 June 2009	-	-	-	-

<b>2008</b>	<b>Investments</b>	<b>Accelerated</b>	<b>Others</b>	<b>Total</b>
		<b>capital</b>		
	<b>RM'000</b>	<b>allowances</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
At 1 July 2007	(1,107)	(901)	2,161	153
Transferred from MTB	-	-	(238)	(238)
At 30 June 2008	(1,107)	(901)	1,923	(85)

**Family Takaful Fund**

<b>2009</b>	<b>Investments</b>	<b>Accelerated</b>	<b>Others</b>	<b>Total</b>
		<b>capital</b>		
	<b>RM'000</b>	<b>allowances</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
At 1 July 2008	(3,107)	(104)	3,281	70
Recognised in the revenue account	3,107	104	(3,281)	(70)
At 30 June 2009	-	-	-	-

<b>2008</b>	<b>Investments</b>	<b>Accelerated</b>	<b>Others</b>	<b>Total</b>
		<b>capital</b>		
	<b>RM'000</b>	<b>allowances</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
At 1 July 2007	(3,107)	(104)	3,676	465
Transferred from MTB	-	-	(422)	(422)
Recognised in the revenue account	-	-	27	27
At 30 June 2008	(3,107)	(104)	3,281	70

**8. RECEIVABLES**

	<b>Shareholder's Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Amounts due from: *		
General Takaful Fund	65,731	65,544
Family Takaful Fund	41,716	83,871
Takaful Investment-linked fund	601	845
Qardhul Hasan to Family Takaful Fund **	57,684	-
Sundry receivables, deposits and prepayments	14,713	8,847
<b>Total receivables</b>	<b>180,445</b>	<b>159,107</b>

\* The amounts due from the General, Family and Takaful Investment-linked Funds in the Shareholder's Fund are unsecured, not subject to any profit elements and have no fixed terms of repayment.

\*\* Qardhul Hasan represents a benevolent, profit-free loan to the Family Takaful Fund to be used to make good the actuarial valuation deficit in the Group Family Takaful fund. The amount is unsecured and is repayable when the Group Family Takaful fund records a surplus.

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables:				
Outstanding contributions	66,176	69,351	72,093	18,597
Due from retakaful operators	19,747	21,083	13	-
Provision for doubtful debts	(19,472)	(23,256)	(2,376)	-
	<b>66,451</b>	<b>67,178</b>	<b>69,730</b>	<b>18,597</b>
Amount due from General Takaful Fund *	-	-	7,534	4,577
Amount due from Takaful Investment-linked Fund *	-	-	6,469	31,545
Other receivables:				
Investment income due and accrued	6,393	6,247	44,660	43,242
Due from stockbrokers	-	-	11,684	193
Tax deducted at source	468	2,733	2,044	21,846
Sundry receivables	1,448	800	3,964	551
	<b>8,309</b>	<b>9,780</b>	<b>76,355</b>	<b>101,954</b>
<b>Total receivables</b>	<b>74,760</b>	<b>76,958</b>	<b>146,085</b>	<b>120,551</b>

\* The amounts due from General and Takaful Investment-linked Funds in the Family Takaful Fund are unsecured, not subject to any profit elements and have no fixed terms of repayment.

**9. SHARE CAPITAL**

	Number of ordinary shares of RM1 each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
<b>Authorised:</b>				
At beginning/end of year	100,000	100,000	100,000	100,000
<b>Issued and fully paid:</b>				
At beginning/end of year	100,000	100,000	100,000	100,000

**10. GENERAL TAKAFUL FUND**

2009	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
<b>Unearned contribution reserves</b>					
Short-term portion:					
At 1 July 2008	12,622	67,372	124	7,786	87,904
Increase in reserve	876	27,769	1,859	1,439	31,943
At 30 June 2009	13,498	95,141	1,983	9,225	119,847
Long-term portion:					
At 1 July 2008	174,600	-	-	5,455	180,055
Increase in reserve	10,746	-	-	845	11,591
At 30 June 2009	185,346	-	-	6,300	191,646
Total	198,844	95,141	1,983	15,525	311,493
<b>Revenue account accumulated surplus:</b>					
At 1 July 2008					26,485
Surplus transferred from General Takaful Fund revenue account					4,552
At 30 June 2009					31,037
<b>General Takaful Fund at 30 June 2009</b>					<b>342,530</b>

**10. GENERAL TAKAFUL FUND (CONT'D)****2008**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine, Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
<b>Unearned contribution reserves</b>					
Short-term portion:					
At 1 July 2007	13,479	38,685	143	7,921	60,228
Transferred from MTB (Decrease)/increase in reserve	1,679	23,392	-	618	25,689
	(2,536)	5,295	(19)	(753)	1,987
At 30 June 2008	<u>12,622</u>	<u>67,372</u>	<u>124</u>	<u>7,786</u>	<u>87,904</u>
Long-term portion:					
At 1 July 2007	163,409	-	-	2,608	166,017
Increase in reserve	11,191	-	-	2,847	14,038
At 30 June 2008	<u>174,600</u>	<u>-</u>	<u>-</u>	<u>5,455</u>	<u>180,055</u>
Total	<u>187,222</u>	<u>67,372</u>	<u>124</u>	<u>13,241</u>	<u>267,959</u>

**Revenue account accumulated (deficit)/surplus:**

At 1 July 2007	(7,394)
Surplus transferred from General Takaful Fund revenue account	33,879
At 30 June 2008	<u>26,485</u>
<b>General Takaful Fund at 30 June 2008</b>	<u><b>294,444</b></u>

**11. FAMILY TAKAFUL FUND**

Based on the actuarial valuation of the Family Takaful Fund made up to 30 June 2009, 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.

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
At beginning of year	3,513,703	2,953,035
Surplus during the year	648,535	560,668
Qardhul Hasan (note 8)	57,684	-
At end of year	<u>4,219,922</u>	<u>3,513,703</u>
Family Takaful Fund as at 30 June	4,219,922	3,513,703
Liability to certificate holders as established by actuarial valuation as at 30 June	<u>3,728,104</u>	<u>3,172,685</u>
Unallocated surplus	<u>491,818</u>	<u>341,018</u>

**11. FAMILY TAKAFUL FUND (CONT'D)**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus for the year	704,637	465,652
Taxation for the year	(70)	-
Surplus arising during the year	<u>704,567</u>	<u>465,652</u>
Transfer to Income Statement	(50,169)	(41,014)
	<u>654,398</u>	<u>424,638</u>
Increase in certificate reserves	<u>(555,419)</u>	<u>(446,864)</u>
	98,979	(22,226)
Unallocated surplus brought forward	<u>341,018</u>	<u>227,214</u>
	439,997	204,988
Profit allocated to participants	(5,863)	(2,211)
Transferred from MTB	-	138,241
Qardhul Hasan (Note 8)	57,684	-
Unallocated surplus carried forward	<u>491,818</u>	<u>341,018</u>
Family Takaful fund at end of the year:		
Actuarial liabilities	3,728,104	3,172,685
Unallocated surplus	491,818	341,018
	<u>4,219,922</u>	<u>3,513,703</u>

**12. PROVISION FOR OUTSTANDING CLAIMS**

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	259,884	221,248	41,404	39,725
Retakaful recoveries	(46,961)	(48,494)	-	-
Net outstanding claims	<u>212,923</u>	<u>172,754</u>	<u>41,404</u>	<u>39,725</u>

**13. PAYABLES**

	<b>Shareholder's Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term accumulating compensated absences	1,114	1,114
Provision for zakat	4,653	3,414
Amount due to holding company *	280	1,432
Amount due to related companies *	7,520	2,985
Provision for bonus	18,626	12,699
Accrued expenses	12,154	8,664
Sundry payables and accrued liabilities	1,494	1,888
	<u>45,841</u>	<u>32,196</u>

\* The amounts due to the holding company and related companies are unsecured, not subject to any profit elements and have no fixed terms of repayment.

**13. PAYABLES (CONT'D)**

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables:				
Commission payable	3,472	4,641	53,123	30,354
Amount due to agents, brokers, co-insurers and participants	2,662	409	6,650	24,488
Amount due to retakaful operators	38,953	37,991	3,039	1,566
	<u>45,087</u>	<u>43,041</u>	<u>62,812</u>	<u>56,408</u>
Other payables:				
Contribution deposits	22,586	23,043	8,555	3,495
Advance contributions	-	-	17,656	14,570
Amounts due to Shareholder's Fund *	65,731	65,544	41,716	83,871
Amount due to Family Takaful Fund *	7,534	4,577	-	-
Sundry payables and accrued liabilities	34,775	13,649	18,334	1,149
	<u>130,626</u>	<u>106,813</u>	<u>86,261</u>	<u>103,085</u>
Total payables	<u>175,713</u>	<u>149,854</u>	<u>149,073</u>	<u>159,493</u>

\* The amounts due to the Shareholder's and Family Takaful Funds in the General and Family Takaful Funds respectively are unsecured, not subject to any profit elements and have no fixed terms of repayment.

**14. OPERATING REVENUE**

	<b>Shareholder's Fund</b>	<b>General Takaful Fund</b>	<b>Family Takaful Fund</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2009</b>				
Wakalah fees	106,355	-	-	106,355
Gross contributions	-	348,530	1,012,207	1,360,737
Investment income (Note 16)	6,723	24,627	176,201	207,551
	<u>113,078</u>	<u>373,157</u>	<u>1,188,408</u>	<u>1,674,643</u>

**14. OPERATING REVENUE (CONT'D.)**

	<b>Shareholder's Fund RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Family Takaful Fund RM'000</b>	<b>Total RM'000</b>
<b>2008</b>				
Wakalah fees	65,584	-	-	65,584
Gross contributions	-	240,331	658,422	898,753
Investment income (Note 16)	6,369	21,481	166,433	194,283
	<u>71,953</u>	<u>261,812</u>	<u>824,855</u>	<u>1,158,620</u>

**15. NET CLAIMS INCURRED****General Takaful Fund****2009**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
Gross claims paid	10,287	92,747	2,204	19,732	124,970
Retakaful recoveries	(4,862)	(540)	(1,787)	(7,807)	(14,996)
Net claims paid	<u>5,425</u>	<u>92,207</u>	<u>417</u>	<u>11,925</u>	<u>109,974</u>
Outstanding claims:					
At end of year	10,198	172,791	2,207	27,727	212,923
At beginning of year	(9,613)	(130,671)	(1,388)	(31,082)	(172,754)
Net claims incurred	<u>6,010</u>	<u>134,327</u>	<u>1,236</u>	<u>8,570</u>	<u>150,143</u>

**2008**

Gross claims paid	9,919	62,819	487	12,875	86,100
Retakaful recoveries	(5,554)	(4,797)	(242)	(4,700)	(15,293)
Net claims paid	<u>4,365</u>	<u>58,022</u>	<u>245</u>	<u>8,175</u>	<u>70,807</u>
Outstanding claims:					
At end of year	9,613	130,671	1,388	31,082	172,754
Transferred from MTB	(517)	(25,644)	-	(9,322)	(35,483)
At beginning of year	(8,687)	(82,222)	(1,766)	(31,018)	(123,693)
Net claims incurred/ (recovered)	<u>4,774</u>	<u>80,827</u>	<u>(133)</u>	<u>(1,083)</u>	<u>84,385</u>

**16. INVESTMENT INCOME**

	<b>Shareholder's Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Profits from:		
Corporate bonds	3,614	2,974
Malaysian Government Guaranteed bonds	582	580
Government Islamic investments	112	-
Islamic investment accounts	1,089	2,000
Staff loans	371	270
Net amortisation of premiums	(56)	(442)
Gross dividend income	1,134	1,043
Investment expenses	(123)	(56)
	<u>6,723</u>	<u>6,369</u>

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profits from:				
Government Investment Issues	239	128	1,976	14,737
Corporate bonds	13,451	9,363	96,571	63,620
Islamic investment accounts	2,929	5,764	21,379	41,103
Malaysian Government Guaranteed bonds	3,533	2,242	21,808	13,870
ABBA loans	71	54	2,026	651
Net accretion of discounts	1,810	1,366	16,812	13,031
Gross dividend income	2,717	2,657	16,457	20,038
Investment expenses	(123)	(93)	(828)	(617)
	<u>24,627</u>	<u>21,481</u>	<u>176,201</u>	<u>166,433</u>

**17. MANAGEMENT EXPENSES**

<b>(a) Shareholder's Fund</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Staff costs (Note (i)):		
Basic salary	7,944	8,921
EPF	1,596	1,851
SOCSSO	77	97
Bonus, allowances and other staff related costs	6,037	6,465
	<u>15,654</u>	<u>17,334</u>
Non-executive directors' remuneration :		
Fee	145	16
Other emoluments	26	26
Auditors' remuneration:		
Statutory audit	84	91
Others	4	5
Rental of equipment	148	118
Rental of premises	4,475	3,308
Depreciation of property, plant and equipment	2,755	4,675

**17. MANAGEMENT EXPENSES (CONT'D)**

<b>(a) Shareholder's Fund (Cont'd)</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Amortisation of intangible assets	1,485	1,590
Amortisation charge from/(to) Takaful Funds		
- General Takaful Fund (Note 17(b))	1,289	4,672
- Family Takaful Fund (Note 17(b))	(965)	1,500
Promotional and marketing cost	4,186	6,278
Professional fees	267	1,304
EDP Expenses	9,267	4,786
Utilities, assessment and maintenance	621	403
Printing and stationery	2,639	1,490
Postage and stamp duties	2,291	1,208
Agency related expenses	5,148	1,061
Fund management fees	3,380	-
Other management fees	11,861	1,440
ESOS expenses	-	76
Other expenses	3,359	482
	<u>52,465</u>	<u>34,529</u>
	<u>68,119</u>	<u>51,863</u>

(i) Included in staff costs are chief executive officers' remuneration as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Basic salaries	302	280
Bonuses	70	154
EPF	65	74
Other emoluments	58	106
	<u>495</u>	<u>614</u>

The number of directors whose total remuneration received from the Company during the year that fall within the following bands is analysed below :

Non-executive directors		
Below RM50,000	<u>7</u>	<u>6</u>

**17. MANAGEMENT EXPENSES (CONT'D)**

<b>(b) Takaful Funds</b>	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Staff costs				
Basic salary	240	1,970	19,606	17,723
EPF	46	394	4,096	3,547
SOCSO	3	22	262	192
Other staff related costs	138	936	12,499	12,659
	<u>427</u>	<u>3,322</u>	<u>36,463</u>	<u>34,121</u>
Non-executive directors' remuneration:				
Fees	-	37	-	102
Auditors' remuneration				
Statutory audit	1	8	140	101
Others	-	1	6	5
Rental of equipment	3	23	195	194
Rental of premises	23	216	1,146	2,769
Depreciation of property, plant and equipment	74	135	120	242
Amortisation of intangible assets	1,346	5,860	649	1,874
Amortisation charged (to)/from Shareholder's Fund (Note 17(a))	(1,289)	(4,672)	965	(1,500)
Provision for doubtful debts on ABBA loans	-	-	-	1,393
Promotional and marketing costs	26	659	2,440	7,756
Utilities, assessment and maintenance	17	29	696	1,769
Printing and stationery	29	87	2,532	2,745
Postage and stamp duties	274	85	2,958	980
Fund management fees	-	-	5,137	89
Agency related expenses	-	-	2,707	1,780
EDP expenses	-	-	4,899	3,848
Other expenses	222	1,879	12,287	18,844
	<u>726</u>	<u>4,347</u>	<u>36,877</u>	<u>42,991</u>
	<u>1,153</u>	<u>7,669</u>	<u>73,340</u>	<u>77,112</u>

**18. OTHER INCOME/(EXPENSES), (NET)**

	<b>Shareholder's Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Processing fees	14,383	14,973
Sundry income	35	820
	<u>14,418</u>	<u>15,793</u>
Other expenditure:		
Provisions for bad debts	(137)	-
Net (loss)/gain on disposal of investments	(2,243)	1,196
Provision for diminution in value of investments	-	-
Sundry expenditure	-	-
	<u>(2,380)</u>	<u>1,196</u>
	<u>12,038</u>	<u>16,989</u>

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other income:				
Net gain on disposal of investments	-	3,248	23,956	32,913
Write-back of specific provision for diminution in value of investment	-	1,118	-	9,848
Sundry income	-	2,598	248	485
	<u>-</u>	<u>6,964</u>	<u>24,204</u>	<u>43,246</u>
Other expenditure:				
Specific provision for diminution in value of investments	-	-	(2,420)	(1,099)
Net loss on disposal of investments	(3,672)	-	-	-
Sundry expenses	(85)	-	(1)	-
	<u>(3,757)</u>	<u>-</u>	<u>(2,421)</u>	<u>(1,099)</u>
	<u>(3,757)</u>	<u>6,964</u>	<u>21,783</u>	<u>42,147</u>

**19. TAXATION**

The domestic income tax for Shareholder's fund and General Takaful fund are generally calculated based on the corporate tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

The income tax for the Family Takaful fund is calculated based on the statutory rate of 8% (2008: 8%) of the estimated assessable profit / surplus for the financial year.

Currently, there is no chargeable income due to the interpretation of the current legislation where all the profit are shared between participants and shareholders which resulted in zero chargeable income.

**(a) Shareholder's and General Takaful Funds**

	Shareholder's Fund		General Takaful Fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Current year's provision	7,846	19,171	-	-
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 7)	(8)	219	(85)	-
Under provision of taxation in prior years	1,303	-	-	-
	<u>9,141</u>	<u>19,390</u>	<u>(85)</u>	<u>-</u>
Tax expense for the year	<u>9,141</u>	<u>19,390</u>	<u>(85)</u>	<u>-</u>

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

	Shareholder's Fund	
	2009 RM'000	2008 RM'000
Profit/surplus before taxation	<u>90,870</u>	<u>83,095</u>
Taxation at Malaysian statutory tax rate of 25% (2008:26%)	22,718	21,605
Income not subject to tax	(1,848)	(2,901)
Expenses not deductible for tax purposes	1,359	467
(Over)/underprovision of Deferred Tax in prior years	(8)	219
Underprovision of tax	1,303	-
Qardhul Hasan deductible for tax purposes	(14,383)	-
Tax expense for the year	<u>9,141</u>	<u>19,390</u>

**19. TAXATION (Cont'd)**

<b>(b) Family Takaful Fund</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current year's provision	-	-
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 7)	(70)	-
Tax expense for the year	<u>(70)</u>	<u>-</u>

In the past, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the tax credit in the Section 108 balance as at 30 June 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 30 June 2009, the Company has sufficient tax credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

**20. TAKAFUL INVESTMENT-LINKED FUNDS****A. BALANCE SHEETS AS AT 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Investments (Note C)	397,805	325,801
Sundry receivables	2,061	1,134
Deferred tax assets	454	259
Cash and bank balances	715	296
<b>Takaful Investment-linked Fund assets</b>	<b>401,035</b>	<b>327,490</b>
<b>LIABILITIES</b>		
Amount due to Shareholder's Fund *	601	845
Amount due to Family Takaful Fund *	6,469	31,545
Sundry payables	84	48
Tax payable	1,540	751
Deferred tax liabilities	1,492	866
<b>Takaful Investment-linked Fund liabilities</b>	<b>10,186</b>	<b>34,055</b>
<b>Unitholders' investment-linked Funds</b>	<b>390,849</b>	<b>293,435</b>
<b>REPRESENTED BY:</b>		
<b>Unitholders' accounts</b>	<b>390,849</b>	<b>293,435</b>

\* The amounts due to Shareholder's and Family Takaful Funds are unsecured, not subject to any profit elements and have no fixed terms of repayments.

**B. INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Units created (net)	115,469	97,121
Profit from investments	11,046	2,933
Other income (Note D)	9,687	1,235
Other outgo (Note E)	(37,569)	(41,804)
Surplus before taxation	98,633	59,485
Taxation (Note F)	(1,219)	659
Surplus for the financial year after taxation	97,414	60,144
Takaful Investment-linked Fund at beginning of financial year	293,435	233,291
Takaful Investment-linked Fund at end of financial year	390,849	293,435

**20. INVESTMENT-LINKED FUNDS (CONT'D)****C. INVESTMENTS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Negotiable Islamic Debt Certificates ("NIDC"), at cost	113,544	117,515
Investment fluctuation	20,181	8,403
At market value <sup>1</sup>	<u>133,725</u>	<u>125,918</u>
Unquoted corporate bonds, at cost	199,430	125,645
Investment fluctuation	230	(4,275)
At market value <sup>1</sup>	<u>199,660</u>	<u>121,370</u>
Government Investment Issues (GII), at cost	-	9,613
Investment fluctuation	-	890
At market value <sup>1</sup>	<u>-</u>	<u>10,503</u>
Islamic investment accounts with licensed commercial banks	<u>30,942</u>	<u>7,872</u>
Foreign notes, at cost	41,077	53,959
Investment fluctuation	(7,599)	6,179
At market value <sup>2</sup>	<u>33,478</u>	<u>60,138</u>
Total investments	<u>397,805</u>	<u>325,801</u>

<sup>1</sup> Indicative values obtained from the secondary market and Bondweb.

<sup>2</sup> Market values determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

(i) Maturity structure of investments of the Investment-linked fund, at cost is as follows:

<b>2009</b>	<b>&lt; 1 year</b>	<b>1 to &lt; 3</b>	<b>3 to</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>RM'000</b>	<b>years</b>	<b>5 years</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted corporate bonds	25,085	119,939	54,406	-	199,430
NIDC	-	102,089	11,455	-	113,544
Islamic investment accounts	30,942	-	-	-	30,942
	<u>30,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,942</u>

**20. INVESTMENT-LINKED FUNDS (CONT'D)****C. INVESTMENTS (Cont'd)**

<b>2008</b>	<b>&lt; 1 year RM'000</b>	<b>1 to &lt; 3 years RM'000</b>	<b>3 to 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>Total RM'000</b>
Unquoted corporate bonds	4,316	7,135	114,194	-	125,645
NICD	-	73,375	44,140	-	117,515
GII	-	9,613	-	-	9,613
Islamic investment accounts	7,872	-	-	-	7,872

The weighted average profit rates of profit-bearing investments of the Investment-linked fund at 30 June 2009 were as follows:

	<b>2009 %</b>	<b>2008 %</b>
	<b>per annum</b>	<b>per annum</b>
GII	-	3.69
Unquoted corporate bonds	4.67	4.10
NIDC	4.50	4.27
Islamic Investment Accounts	1.82	3.30

**D. OTHER INCOME**

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Gain on disposal of investments	1,297	1,164
Investment fluctuations	8,318	-
Others	72	71
	<b>9,687</b>	<b>1,235</b>

**E. OTHER OUTGO**

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Benefits paid and payable:		
Death	532	159
Surrender	26,403	27,661
Investment fluctuations	-	11,017
Unrealised foreign exchange loss	7,270	1,265
Auditors' remuneration		
Statutory audit	12	10
Others	1	-
Custodian fees	88	40
Wakalah fees	3,263	1,652
	<b>37,569</b>	<b>41,804</b>

**F. TAXATION**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax		
Current year's provision	789	406
Over provision of taxation in prior years	-	(82)
Deferred tax:		
Relating to origination and reversal of temporary differences	430	(983)
Tax expense for the year	<u>1,219</u>	<u>(659)</u>

The Malaysian tax charge on the investment-linked business is based on the method prescribed under the Income Tax Act, 1967 for life insurance business.

**21. EARNINGS PER SHARE**

The earnings per share has been calculated based on the net profit for the year of RM77,696,000 (2008: RM60,303,000) divided by the number of ordinary shares in issue during the year of RM100,000,000 (2008: 100,000,000).

**22. SEGMENT INFORMATION ON CASH FLOW**

<b>2009</b>	<b>Shareholder's Fund RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Family Takaful Fund RM'000</b>	<b>Total RM'000</b>
Net cash flow used in:				
Operating activities	(7,569)	(6,248)	(25,066)	(38,883)
Investing activities	(992)	(2,311)	(164)	(3,467)
	<u>(8,561)</u>	<u>(8,559)</u>	<u>(25,230)</u>	<u>(42,350)</u>
Net decrease in cash and cash equivalents:				
At beginning of year	12,187	41,355	65,001	118,543
At end of year	3,626	32,796	39,771	76,193
	<u>(8,561)</u>	<u>(8,559)</u>	<u>(25,230)</u>	<u>(42,350)</u>
<b>2008</b>				
Net cash flow generated from/(used in):				
Operating activities	(7,285)	20,994	17,512	31,221
Investing activities	(555)	(28)	(25)	(608)
	<u>(7,840)</u>	<u>20,966</u>	<u>17,487</u>	<u>30,613</u>
Net increase/(decrease) in cash and cash equivalents:				
At beginning of year	20,027	20,389	47,514	87,930
At end of year	12,187	41,355	65,001	118,543
	<u>(7,840)</u>	<u>20,966</u>	<u>17,487</u>	<u>30,613</u>

15/3/2010

**23. CAPITAL COMMITMENTS****Shareholder's Fund**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Intangible assets:		
Approved and contracted for	271	203
	<u>271</u>	<u>203</u>

	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Intangible assets:				
Approved and contracted for	463	936	470	3,039
	<u>463</u>	<u>936</u>	<u>470</u>	<u>3,039</u>

**24. CONTINGENT LIABILITY**

In March 2006, the Company was served two writs of summons from a third party ("the Plaintiff"), seeking recoveries amounting to RM12,152,098 including interests and other costs thereon. It is alleged that these recoveries are in respect of certificate benefits payable to the members of the Plaintiff for the period from 1 May 2002 to 30 April 2003 and 1 May 2003 to 30 April 2004 under the Group Hospitalisation and Surgery certificate underwritten by the company. The Plaintiff has served the summons on the grounds that the relevant documentation in respect of said certificate benefits payable has been submitted to the broker and failure to honour these payments was wrongful and invalid. The Company maintains that it has failed to receive the said documentation and, thus, cannot honour the certificate benefit payments.

The Company's Directors are of the opinion that the certificate benefits payable would be honoured should sufficient documentation be received. Further, the Directors are of the opinion that certificate benefits alleged as payable by the Plaintiff are erroneous. The solicitors are of the view that the company has a good chance of defending this case successfully. The matter is now fixed for final case management at the Kuala Lumpur High Court on 21 July, 2009.

**25. SIGNIFICANT RELATED PARTY DISCLOSURES**

Significant transactions of the Company with related parties during the financial year were as follows:

<b>(a) Shareholder's Funds</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Transactions with the ultimate holding company (MBB):		
Profit income	191	-
Commissions and fees expenses	(22,953)	(7,828)
Transactions with fellow subsidiaries within MFHB Group:		
Rental expense	(3,320)	(3,308)
Transactions with other related companies within the MBB Group:		
Profit income	907	855
Management fee	(3,202)	-
<b>(b) General Takaful fund</b>		
Transactions with the ultimate holding company (MBB):		
Commissions and fee expense	(121)	(52)
Profit income	104	369
Transactions with fellow subsidiaries within MFHB Group:		
Rental expenses	(17)	(216)
Transactions with other related companies within the MBB Group:		
Profit income	869	1,147
Transactions with a director related company::		
Retakaful contribution on facultative/treaty policies(net) Labuan Reinsurance (L) Ltd.	(190)	-
<b>(c) Family takaful funds</b>		
Transactions with the ultimate holding company (MBB):		
Gross takaful contribution income	45,977	-
Commissions and fee expense	(1,705)	(589)
Profit income	918	158
Transactions with the holding company (MFHB):		
Gross takaful contribution income	609	-
Transactions with fellow subsidiaries within MFHB Group:		
Gross takaful contribution income	5,384	-
Rental expenses	(850)	(2,769)
Transactions with other related companies within the MBB Group:		
Gross takaful contribution income	114	-
Profit income	6,458	10,028
Management Fees	(4,867)	-

**25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

Included in the balance sheet of the Company are amounts due from/(to) related companies represented by the following:

<b>(a) Shareholder's Funds</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from Ultimate Holding company:		
Bank balances	2,307	4,145
Income and profits due and accrued	20	-
	<hr/>	<hr/>
Amount due from/(to) Ultimate Holding company:		
Other receivables	7	-
Other payable	(4,740)	-
	<hr/>	<hr/>
Amount due to Holding company:		
Other payable	(280)	-
	<hr/>	<hr/>
Amount due from/(to) other fellow subsidiaries within the MBB Group		
Other receivables	10,958	5,567
Other payable	(13,756)	(8,642)
	<hr/>	<hr/>
Amount due from other related companies within the MBB Group		
Islamic Investment Accounts	79,053	17,397
Other receivables	11	-
	<hr/>	<hr/>
<b>(b) General Takaful fund</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from Ultimate holding company:		
Bank balances	15,636	6,489
Islamic Investment Accounts	12,391	-
Profit due and accrued	637	-
	<hr/>	<hr/>
Amount due from other related companies within the MBB group:		
Islamic Investment Accounts	89,330	86,096
	<hr/>	<hr/>
Balances with a director related company:		
Trade payable to Labuan Reinsurance (L) Ltd.	(83)	-
	<hr/>	<hr/>
<b>(b) Family Takaful fund</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from Ultimate holding company:		
Bank balances	13,513	17,913
Islamic Investment Accounts	657,821	612,715
Profit due and accrued	5,262	-
	<hr/>	<hr/>

**25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)****(c) Key management personnel compensation**

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director of the Company. The remuneration of directors and other members of key management during the year was as follows:

	<b>Shareholder's Fund</b>			
	<b>2009</b>	<b>2008</b>		
	<b>RM'000</b>	<b>RM'000</b>		
<b>Short-term employee benefits</b>				
- Salaries, allowances and bonuses	372	464		
- Contribution to Employees Provident Fund (EPF)	65	74		
- Other staff benefits	58	-		
<b>Share-based payment</b>				
- ESOS expense	-	76		
	<u>495</u>	<u>614</u>		
	<b>Shareholder's Fund</b>			
	<b>2009</b>	<b>2008</b>		
	<b>RM'000</b>	<b>RM'000</b>		
Non-executive directors' remuneration: (Note 17 (a))				
Fees	145	16		
Other emoluments	26	26		
	<u>171</u>	<u>42</u>		
	<b>General Takaful Fund</b>		<b>Family Takaful Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-executive directors' remuneration: (Note 17(b))				
Fees	-	37	-	102
Other emoluments	-	-	-	-
	<u>-</u>	<u>37</u>	<u>-</u>	<u>102</u>

The movement in share options of key management personnel is as follows:

	<b>Shareholder's Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2008	101	69
Granted	12	76
Rights issues	6	-
Exercised	-	(44)
Resigned key management personnel	(101)	-
At 30 June 2009	<u>18</u>	<u>101</u>

**25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

Other related companies within MFHB group consist of Mayban General Assurance Berhad, Mayban Life Assurance Berhad, Etiqa Insurance Berhad and Mayban Investment Management Sdn Bhd.

Other related companies within the MBB group include Maybank International (L) Ltd., Mayban Discount Berhad, Aseambankers (M) Berhad, Aseam Credit Sdn. Bhd., Aseamlease Berhad, Mayban Trustees Berhad, Mayban Unit Trust Bhd, Mayban Property Trust Management Berhad, Mayban International Trust (Labuan) Berhad, Mayban Ventures Sdn. Bhd., Mayban Investment Management Sdn. Bhd., Mayban Futures Sdn. Bhd. and Mayban Securities Sdn Berhad.

**26. RISK MANAGEMENT POLICIES**

Etiqa Takaful Berhad's risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its various risks. The overall objective is to safeguard the interests of all its stakeholders. Risk management at MFHB is therefore organised both centrally and on a business/functional unit basis. As the first line defence, Etiqa Takaful Berhad is responsible for the day-to-day management of risks inherent in their business activities. The Risk Management Division of MHFB acts as a risk control and coordinating unit whose responsibility includes the setting up of a risk management framework, the formulation and implementation of risk management guidelines and the control and pricing of risks. As such, it becomes the second line of defence.

The internal auditors of Maybank Group, acting as the third line of defence, provide independent assurance of the effectiveness of the risk management approach. These three-pronged strategies are in line with that of Maybank Group's risk management approach.

**A. Types of Risk**

Risks can arise in all operational areas, functions, processes, and also from external events. Assessing the risk situation of MHFB Group therefore requires a holistic approach. The scope of risk management approach at the MFHB Group are in accordance to the three risk management pillars. The pillars are Underwriting Risk, Financial Risk and Operational Risk.

**(i) Underwriting risk**

In the case of Takaful business, the concept of Takaful is based on solidarity, responsibility and brotherhood among participants who have agreed to contribute to a common fund, on the basis of Tabarru', for the purpose of mutual assistance according to the terms of the Takaful contract.

Special attention is also given to the adequacy of the actuarial reserves or the claims reserve risk. The appointed actuaries will assess the reserving methodology on a regular basis in accordance with the BNM's guidelines. Retakaful risk arises from underwriting direct business or retakaful business in relation to reinsurers, cedants and brokers.

**26. FINANCIAL INSTRUMENTS (Cont'd)****(ii) Financial risk**

Financial risks comprise market risks and credit risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, i.e., due to fluctuations in rates of return, share prices or exchange rates and perhaps to a certain extent property prices. Market risk is more prevalent in the Family Takaful business. Credit risk arises when a borrower or counterparty is no longer able to pay their debt. Such risks from default on receivables may arise from profiles of liabilities supported by mismatch of assets. Attention is also given to the counterparty risk on the bond portfolio.

**(iii) Operational risk**

Operational risk is defined as the risk of direct loss resulting from inadequate or failed internal processes, people and systems or from external events. The methodology used to assess, mitigate and control the risks identified are in accordance to the Maybank Group operational risk framework.

**B. Monitoring and Controlling Risks**

Having classified all the different types of risks, it is important that these risks are monitored and controlled regularly. The development of consistent methodology for use throughout the entire MFHB Group has become the focal point of interests to the management and Boards of Mayban Fortis Group of companies. In essence, these could be described as follows:

**(i) Underwriting risk**

Underwriting guidelines and limits have been well established to clearly regulate responsibility and accountability for the whole process of conducting takaful and retakaful contracts. There it spells out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the actuarial department will regularly assess the adequacy of the insurance charges and technical provisions.

The General Takaful business uses retakaful as a form of risk transfer. The risk of default by retakaful operators were further reduced by selecting only those retakaful operators with reputable securities or those that have been awarded with at least an "A" rating by internationally recognised rating agencies and those approved by the Shariah Supervisory Council. Additionally, provisions for known and unknown liabilities arising from our commitments are calculated for takaful businesses using prudent actuarial methods.

**(ii) Financial Risk**

In order to manage financial risks, the Asset-Liability Committee ("ALCO") has been established. The ALCO is responsible for advising the Investment Committee ("IC"), Risk Management Committee ("RMC") and the Board of Directors ("Board") on financial risk management. It is responsible for preparing global investment management guidelines on counterparty and concentration risks in fixed income investments, equity and property investments taking into account BNM's regulations and market trends.

**26. FINANCIAL INSTRUMENTS (Cont'd)**

Moreover, Asset-Liability Management ("ALM") studies, based on stress tests of the impact of alternative investment strategies on solvency and revenue, are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and translated into a specific Investment Management Mandate. The global investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Board for review and approvals. ALCO will then monitor the compliance to the approved mandate. Investments will only be made in Shariah approved counters/instruments.

In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

**(iii) Operational Risk**

An on-going process of implementing a comprehensive framework for monitoring and controlling operational risks has been put in place. In the process, operational loss data is being collected using an approach similar to the requirements of Bank for International Settlement Accord II ("Basel II") and in line with Maybank Group operational risk framework. Key risk indicators are also compiled for deliberation at the RMC meeting.

In addition, the risk control self assessment scorecards have been developed to ensure risk-taking units have identified and manage its operational risks. A risk communication programme is being carried out with the objective to create risk awareness among all staff of the Mayban Fortis Group of possible risks and to inculcate an appropriate risk culture to avoid the common fallacy to equate risk-awareness with being risk-averse.

**C. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The aggregate net fair values of financial assets on the balance sheet of the Company as at the end of financial year are represented as follows:

Shareholder's Fund	2009		2008	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Government Investment Issues	17,170	16,805	-	-
Securities of corporations				
quoted in Malaysia	11,940	12,180	20,183	23,543
Islamic institutional trusts	245	252	104	106
Corporate bonds	74,861	76,543	51,680	50,974
Unquoted shares of corporations	230	-	230	-
Malaysian government guaranteed bonds	18,648	17,816	19,134	17,535

**26. FINANCIAL INSTRUMENTS (CONT'D.)****C. Fair Values (Cont'd.)**

<b>General Takaful Fund</b>	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying value RM'000</b>	<b>Fair value RM'000</b>
Securities of corporations quoted in Malaysia	29,281	43,695	33,613	54,816
Islamic institutional trusts	1,549	1,668	666	852
Government Investment Issues	7,995	8,105	27,681	27,714
Corporate bonds	304,249	303,987	220,604	213,832
Malaysian Government guaranteed bonds	87,821	86,612	38,005	30,394
Khazanah bonds	9,912	9,959	19,382	19,398
Negotiable Instruments of Deposit	28,663	30,263	27,296	26,788
<b>Family Takaful Fund</b>				
Securities of corporations quoted in Malaysia	179,134	242,762	236,971	374,490
Islamic institutional trusts	45,066	45,066	48,760	49,473
Government Investment Issues	209,400	208,004	76,988	77,313
Malaysian Government guaranteed bonds	473,051	473,950	308,021	312,568
Corporate bonds	1,941,235	1,938,790	1,571,886	1,516,219
Khazanah bonds	207,577	199,548	166,079	146,550
Negotiable Instruments of Deposit	147,973	156,145	145,834	166,493

**26. FINANCIAL INSTRUMENTS (CONT'D.)****C. Fair Values (Cont'd.)**

The following methods and assumptions are used to estimate the fair values of the following

**(i) Cash and Cash Equivalents and Other Receivables / Payables**

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

**(ii) Investments**

The fair values of quoted investments are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

The fair values of Malaysian Government Guaranteed bonds, Khazanah bonds and corporate bonds are determined by reference to indicative prices obtained from Bondweb while the fair values of Government Investment Issues and Negotiable Islamic Deposits are indicative values obtained from the secondary market.

The fair values of quoted units in Islamic Institutional Trusts are determined by reference to market quotations by the managers of the funds.

**(iii) Investments in subsidiary and unquoted shares**

It is not practical to estimate the fair values of the above investments because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs.

**27. COMPARATIVES**

Contain comparatives figures have been restated to better reflect current year's presentation.