Ernst & Young

ETIQA TAKAFUL BERHAD
(266243-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2011

266243-D

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 2011.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	RM'000
Net profit for the year	71,804

There were no material transfers to or from reserves or provisions during the financial year.

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:

Dato' Mohd Salleh Haji Harun (Chairman)	
Damis Jacobus Ziengs (Vice Chairman)	
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	
Dato' Johan bin Ariffin	
Zainal Abidin Jamal	
Mohamed Nor Abdul Hamid	(appointed on 3 September 2010)
Loh Lee Soon	(appointed on 23 December 2010)
Gary Lee Crist	(appointed on 24 January 2011)
Hans J. J. De Cuyper	(appointed on 2 August 2011)
Dato' Aminuddin bin Md. Desa	(resigned on 30 November 2010)

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. Dr. Ismail Bin Mohd @ Abu Hassan (Member)
Y Bhg. Dr. Mohammad Deen Bin Mohd Napiah (Member)
Y Bhg. Dr. Ahcene Lahsasna (Member)
Y Bhg. Encik Sarip Bin Adul (Member)

The SC met 6 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 Maybank Group Employee Share Option Scheme ("ESOS") of the ultimate holding company.

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 24 and 32 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 interests of directors in office at the end of the financial year in shares in the ultimate holding company, Malayan Banking Berhad ("MBB"), during the financial year were as follows:

	Number of ordinary shares of RM1 each		
Direct Interest:	**1 July 2010**	**Bought**	**30 June 2011**
Dato' Mohd Salleh Haji Harun	287,781	18,200	305,981
Dato' Johan bin Ariffin	70,000	52,805	122,805

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 statement of financial position and income statements 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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

(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;

(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)(ii) and (f)(i), 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 statements of financial position and income statements of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for takaful certificates liabilities, 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 BNM/RH/GL/004-1: *Guidelines on Directorship for Takaful Operators*. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL/003-2: *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:

Name	Number of Board meetings Attended	%
Dato' Mohd Salleh Haji Harun (Chairman)	6/6	100
Damis Jacobus Ziengs (Vice Chairman)	5/6	83
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	6/6	100
Dato' Johan bin Ariffin	5/6	83
Zainal Abidin Jamal	6/6	100
Mohamed Nor Abdul Hamid (appointed on 3 September 2010)	3/3	100
Loh Lee Soon (appointed on 23 December 2010)	3/3	100
Gary Lee Crist (appointed on 24 January 2011)	3/3	100
Dato' Aminuddin bin Md. Desa (resigned on 30 November 2010)	1/1	100

(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 32 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:

Loh Lee Soon (Chairman) (appointed on 7 February 2011)
Independent, non-executive director

Damis Jacobus Ziengs
Non-Independent, non-executive director

Datuk Dr. Syed Othman bin Syed Hussin Alhabshi
Independent, non-executive director

Sulaiman bin Salleh (resigned as Chairman and Member on 6 February 2011)
Independent, non-executive director

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

Name	Number of Board meetings Attended	%
Loh Lee Soon (appointed on 23 December 2010)	4/4	100
Damis Jacobus Ziengs	5/6	83
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	5/6	83
Sulaiman bin Salleh	2/2	100

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 is premised 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:

Mohamed Nor Abdul Hamid (Chairman) Non-independent, non-executive director	(appointed on 7 Feb 2011)
Damis Jacobus Ziengs Non-independent, non-executive director	
Datuk R Karunakaran Independent, non-executive director	(appointed on 7 Feb 2011)
Dato' Johan bin Ariffin Non-independent, non-executive director	(resigned as Chairman and Member on 6 Feb 2011)
Sulaiman bin Salleh Independent, non-executive director	(resigned on 6 Feb 2011)

The RMC met 6 times during the year.

CORPORATE GOVERNANCE (CONT'D.)

(f) Nomination and Remuneration Committee

The Company will continue to leverage the existing Nomination and Remuneration Committee of the Board ("NRC") which had taken effect as a merged committee of the ultimate holding company, Malayan Banking Berhad ("MBB"), on 27 May 2010 as part of its governance structure.

The primary objective of the NRC 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.

Further, the NRC is also 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 NRC is as follows:-

Dato' Mohd Salleh Hj Harun (Chairman) Independent, non-executive director	(appointed on 1 July 2011)
Tan Sri Dr Hadenan bin A. Jalil Independent, non-executive director	
Dato' Dr Tan Tat Wai Independent, non-executive director	
Zainal Abidin bin Jamal Non-independent, non-executive director	
Alister Maitland Independent, non-executive director	
Dato' Seri Ismail bin Shahudin Independent, non-executive director	(resigned as Chairman and Member on 1 July 2011)

During the financial year, the Nomination and Remuneration Committee met 11 times.

CORPORATE GOVERNANCE (CONT'D.)

(g) Investment Committee

The Investment Committee ("IC") was previously set up at Mayban Life Assurance Berhad (now known as Sri MLAB Berhad) ("Sri MLAB"). However, its membership, roles and responsibilities transcended beyond Mayban Life Assurance Berhad to cover other operating companies under Mayban Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Fortis Holdings Berhad), which include Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB").

Following the transfer of Mayban Life Assurance's business to EIB on 1 November 2011, the IC is now established at EIB.

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 a tactical investment policy on the basis of the proposals made 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, and to evaluate and approve the operational policy conducted by the investment manager. It also evaluates, reviews and maintains the Investment Management Guidelines ("IMG"), based on ALCO advice and negotiates conditions with, appoints or dismiss external fund managers, custodians, banks and other financial intermediaries.

The IC reports to the Board of all the operating companies under MAHB.

The composition of the IC is as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman) Independent, non-executive director	
Datuk Dr. Syed Othman bin Syed Hussin Al-Habshi Independent, non-executive director	
Mohd Din bin Merican Chief Executive Officer, EIB	
Ahmad Shahril Azuar Jimin Chief Executive Officer, ETB	
Hans J. J. De Cuyper Chief Executive Officer, MAHB	(appointed as CEO of MAHB on 2 August 2011)
Datuk R Karunakaran Independent, non-executive director	(appointed on 7 Feb 2011)
Dato' Aminuddin bin Md. Desa Chief Executive Officer, MAHB	(resigned as CEO of MAHB on 30 Nov 2010)
Sulaiman bin Salleh Independent, non-executive director	(resigned on 6 Feb 2011)

The IC met 2 times during the year.

CORPORATE GOVERNANCE (CONT'D.)

(h) Public Accountability

As a 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.

SUBSEQUENT EVENT

The subsequent event after the financial year end is disclosed in Note 38 to the financial statements.

AUDITORS

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

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

Dato' Mohd Salleh Haji Harun

Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
11 August 2011

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Mohd Salleh Haji Harun and Hans J. J. De Cuyper, 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 15 to 128 are drawn up in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia, and in compliance with Shariah requirements and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2011 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.

Dato' Mohd Salleh Haji Harun

Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
11 August 2011

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

I, Ahmad Shahril Azuar Jimin, 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 15 to 128 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 Ahmad Shahril Azuar Jimin at
Kuala Lumpur in Wilayah Persekutuan
on 11 August 2011

Ahmad Shahril Azuar Jimin

Before me,

PESURUHJAYA SUMPAH
No: W 480
R. VASUGI AMMAL,
PJK
MALAYSIA

Commissioner for Oaths

No: 72, Tkt. 3,
Jalan Mega Mendung,
Bandar Kompleks,
58200 Kuala Lumpur

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

We, Y Bhg. Tan Sri Dato' Seri (Dr) Haji Harussani bin Haji Zakaria and Y Bhg. Dr. Mohammad Deen bin Mohd Napiah, 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 2011 have been conducted in conformity with the requirements of Shariah.

Signed on behalf of the Committee.

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

Y Bhg. Dr. Mohammad Deen bin Mohd Napiah

Kuala Lumpur, Malaysia
11 August 2011

ERNST & YOUNG

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

Report on the financial Statements

We have audited the financial statements of Etiqa Takaful Berhad, which comprise the statements of financial position as at 30 June 2011, the income statements, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 128.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, modified by Bank Negara Malaysia ("BNM") Guidelines and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

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Independent auditors' report to the member of
Etiqa 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, modified by Bank Negara Malaysia ("BNM") Guidelines 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 2011 and of its financial performance and cash flows for the year then ended.

Report 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 members 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

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No.1759/02/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
11 August 2011

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	4,678	3,486	3,179
Intangible assets	4	12,395	15,854	5,180
Investments	5	-	240,170	210,978
Available-for-sale ("AFS") financial assets	6	180,079	-	-
Loans and receivables	7	154,094	-	-
Financing receivables	8	22,192	21,532	14,088
Other receivables	10	187,027	214,494	180,445
Deferred tax assets	11	145	120	-
Cash and bank balances		1,166	5,404	3,626
Total shareholder's fund assets		561,776	501,060	417,496
Total general takaful fund assets (page 19)		1,414,097	1,023,694	813,063
Total family takaful fund assets		6,600,859	5,784,750	4,772,803
Total assets		8,576,732	7,309,504	6,003,362
EQUITY AND LIABILITIES				
Equity				
Share capital	12	100,000	100,000	100,000
Retained profits		382,261	311,976	253,338
AFS reserves		10,983	-	-
Total shareholder's equity		493,244	411,976	353,338
Liabilities				
Deferred tax liabilities	11	7,917	2,625	1,262
Other payables	16	58,997	53,281	45,841
Current tax liabilities		1,618	33,178	17,055
Total shareholder's fund liabilities		68,532	89,084	64,158
Total general takaful fund liabilities and participants' fund (page 19)		1,414,097	1,023,694	813,063
Total family takaful fund liabilities and participants' fund		6,600,859	5,784,750	4,772,803
Total liabilities		8,083,488	6,897,528	5,650,024
Total liabilities, participants' fund and shareholder's equity		8,576,732	7,309,504	6,003,362

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	18	221,634	165,540
Fee and commission income	20	207,919	155,320
Investment income	21	12,497	10,219
Realised gains and losses	22	5,696	1,326
Other operating revenue	23	11,733	13,261
Other revenue		237,845	180,126
Management expenses	24	(124,982)	(81,145)
Fee and commission expenses	25	(90,695)	(67,311)
Other expenses		(215,677)	(148,456)
Transfer from takaful income statement:			
General takaful fund (page 20)		32,765	45,375
Family takaful fund (page 23)		52,614	28,781
Profit before taxation		107,547	105,826
Taxation	26	(29,050)	(43,439)
Zakat		(6,693)	(3,749)
Net profit for the year		71,804	58,638
Basic earnings per share (sen)	28	71.8	58.6

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Net profit for the year		71,804	58,638
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		10,196	-
Realised gain transferred to income statement	22	(4,770)	
Tax effects relating to components of other comprehensive income		(1,357)	-
Other comprehensive income for the year, net of tax		4,069	-
Total comprehensive income for the year		75,873	58,638

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Attributable to Equity Holder of the Company			
		Non-Distributable	Distributable	
	Share Capital RM'000	Available-for-sale Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 July 2010	100,000	-	311,651	411,651
Effects of adoption of FRS 4 and FRS 139:				
Fair value changes on AFS investments	-	9,218	(2,299)	6,919
Deferred tax on fair value changes	-	(2,304)	780	(1,524)
Impairment losses on takaful receivables and retakaful assets	-	-	325	325
At 1 July 2010 (restated)	100,000	6,914	310,457	417,371
Total comprehensive income for the year	-	4,069	71,804	75,873
At 30 June 2011	100,000	10,983	382,261	493,244
At 1 July 2009	100,000	-	253,338	353,338
Total comprehensive income for the year, as previously stated	-	-	58,313	58,313
At 30 June 2010	100,000	-	311,651	411,651
Effects of adoption of FRS 4:				
Impairment losses on takaful receivables and retakaful assets	-	-	325	325
At 30 June 2010 (restated)	100,000	-	311,976	411,976

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	8	13	48
Intangible assets	4	568	102	7,777
Investments	5	-	772,999	627,795
AFS financial assets	6	784,418	-	-
Loans and receivables	7	181,873	-	-
Financing receivables	8	1,621	1,696	1,774
Retakaful assets	17	300,064	123,280	68,113
Takaful receivables	9	105,849	81,236	66,451
Other receivables	10	10,634	7,258	8,309
Cash and bank balances		29,062	37,110	32,796
Total general takaful fund assets		1,414,097	1,023,694	813,063
PARTICIPANTS' FUND AND LIABILITIES				
Participants' Fund				
General takaful fund	13	93,863	60,407	31,037
Liabilities				
Takaful payables	15	64,691	68,509	45,087
Other payables	16	211,107	145,031	130,626
Takaful certificate liabilities	17	1,040,066	732,331	592,529
Current tax liabilities		4,370	17,416	13,784
Total general takaful fund liabilities		1,320,234	963,287	782,026
Total general takaful fund liabilities and participants' fund		1,414,097	1,023,694	813,063

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	18	670,008	518,977
Gross earned contributions	19(a)	525,480	436,470
Earned contributions ceded to retakaful	19(b)	(65,927)	(81,655)
Net earned contributions		459,553	354,815
Fee and commission income	20	16,095	19,964
Investment income	21	33,767	29,461
Realised gains and losses	22	15,488	4,990
Other revenue		65,350	54,415
Gross benefits and claims paid		(265,859)	(158,598)
Claims ceded to retakaful		28,590	11,196
Gross change to certificate liabilities		(196,974)	(86,756)
Change in certificate liabilities ceded to retakaful		140,938	40,473
Net benefits and claims		(293,305)	(193,685)
Management expenses	24	(520)	(813)
Fee and commission expenses	25	(160,774)	(118,659)
Other operating expenses	23	(4,772)	(5,323)
Other expenses		(166,066)	(124,795)
Profit before taxation		65,532	90,750
Surplus attributable to the Company and transferred to shareholder's fund		(32,765)	(45,375)
Taxation	26	9,835	-
Net profit for the year		42,602	45,375

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Net profit for the year		42,602	45,375
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		27,911	-
Realised gain transferred to income statement	22	(13,484)	-
Other comprehensive income for the year, net of tax		14,427	-
Total comprehensive income for the year		57,029	45,375

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	9	17	25
Intangible assets	4	1,235	2,275	2,881
Investments	5	-	5,123,265	4,186,341
AFS financial assets	6	5,185,874	-	-
Loans and receivables	7	1,050,071	-	-
Financing receivables	8	53,486	57,374	54,349
Retakaful assets	17	40,937	68,848	-
Takaful receivables	9	80,272	152,941	69,730
Other receivables	10	84,708	67,410	76,355
Cash and bank balances		20,042	26,244	39,771
Investment-linked business assets	27	120,909	323,060	401,035
Total family takaful fund assets		6,637,543	5,821,434	4,830,487

PARTICIPANTS' FUND AND LIABILITIES

	Note	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
Participants' Fund				
Family takaful fund	14	1,071,311	651,289	549,502
Takaful investment-linked fund	27	116,880	314,994	390,849
Total family takaful participants' fund		1,188,191	966,283	940,351
Liabilities				
Takaful payables	15	96,535	77,149	62,812
Other payables	16	160,296	152,993	28,577
Takaful certificate liabilities	17	5,147,078	4,567,279	3,769,508
Current tax liabilities		41,414	49,664	19,053
Investment-linked business liabilities	27	4,029	8,066	10,186
Total family takaful fund liabilities		5,449,352	4,855,151	3,890,136
Total family takaful fund liabilities and participants' fund		6,637,543	5,821,434	4,830,487

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	18	1,704,495	1,685,303
Gross earned contributions	19(a)	1,446,925	1,466,304
Earned contributions ceded to retakaful	19(b)	(20,236)	(24,136)
Net earned contributions		1,426,689	1,442,168
Fee and commission income	20	2,331	2,097
Investment income	21	257,571	218,999
Realised gains and losses	22	63,778	32,053
Other revenue		323,680	253,149
Gross benefits and claims paid		(609,357)	(384,372)
Claims ceded to retakaful		3,949	2,298
Gross change to certificate liabilities		(597,252)	(843,640)
Change in certificate liabilities ceded to retakaful		(27,911)	68,848
Net benefits and claims		(1,230,571)	(1,156,866)
Management expenses	24	(78,068)	(91,704)
Fee and commission expenses	25	(246,859)	(242,163)
Other operating expenses	23	(12,508)	(2,407)
Other expenses		(337,435)	(336,274)
Profit before taxation		182,363	202,177
Surplus attributable to the Company and transferred to shareholder's fund		(52,614)	(28,781)
Taxation	26	28,686	-
Net profit for the financial year		158,435	173,396

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Net profit for the year		158,435	173,396
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		195,526	-
Realised gain transferred to income statement	22	(54,574)	-
Other comprehensive income for the year, net of tax		140,952	-
Total comprehensive income for the year		299,387	173,396

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		107,547	105,826
Adjustments for:			
Depreciation of property, plant and equipment		1,239	1,557
Amortisation of intangible assets		6,343	4,364
Write off of fixed assets		-	90
Allowance for impairment of takaful receivables		10,409	8,190
Recovery from agent		-	(1,002)
Net gain on disposal of investments		(91,808)	(61,471)
Investment income		(303,834)	(258,679)
Net reversal of impairment on investment		(2,028)	-
Net provision for diminution in value of investments		-	194
Increase in unearned contribution reserves		74,915	38,352
Increase in general takaful fund		42,892	90,750
Increase in family takaful fund		727,478	886,233
Operating profit before working capital changes		573,153	814,404
Proceeds from disposal of investments		1,173,005	658,150
Purchase of investments		(2,001,214)	(1,698,881)
Increase in placements of Islamic investment accounts		(145,040)	(11,885)
Decrease/(increase) in financing receivables		3,345	(6,445)
Decrease/(increase) in takaful receivables		37,649	(106,200)
Decrease/(increase) in other receivables		711	(37,820)
Increase in takaful payables		15,561	-
Increase in other payables		69,793	109,763
Decrease in AFS reserves		(3,661)	-
Increase in claims liabilities		73,489	92,151
		(203,209)	(186,763)
Investment income received		297,850	257,168
Zakat paid		(4,544)	(3,823)
Taxation paid		(59,121)	(19,785)
Taxation refund		499	-
Mudharabah paid to participants		(44,715)	(45,616)
Net cash (used in)/generated from operating activities	30	(13,240)	1,181
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(2,718)	(4,798)
Purchase of property, plant and equipment		(2,530)	(4,068)
Proceeds from disposal of property and equipment		-	250
Net cash used in investing activities	30	(5,248)	(8,616)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000
Net decrease in cash and cash equivalents	30	(18,488)	(7,435)
Cash and cash equivalents at beginning of year		68,758	76,193
Cash and cash equivalents at end of year		50,270	68,758
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		1,166	5,404
General takaful fund		29,062	37,110
Family takaful fund		20,042	26,244
		50,270	68,758

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

1. CORPORATE INFORMATION

The principal activity of the Company is the management of general takaful, family takaful and takaful investment linked business.

There have been no significant changes in the nature of the activities of the Company during the 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 of the Company are Mayban Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Fortis Holdings Berhad) and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 August 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia, as modified by Bank Negara Malaysia ("BNM"), Guidelines/Circulars issued by BNM, the Takaful Act 1984, and the principles of Shariah.

At the beginning of the current financial year, the Company had fully adopted the new and revised FRSs, Issues Committee ("IC") Interpretations and amendments to FRSs in Malaysia which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.3.

Takaful operators must ensure that the aggregated total assets and total liabilities presented in Company's statement of financial position are net of Qard to avoid double counting of assets and overstatement of liabilities. To facilitate the reporting, takaful operators shall be guided by the accounting entries for Qard. In addition, to avoid double counting of assets and overstatement of liabilities of liabilities the Company has also complied with the requirements of the Guideline to ensure that the statement of financial position of the Shareholder's fund is net of Qard. Accordingly, total Family takaful assets and liabilities as presented in the statement of financial position of the Shareholder's fund is already net of Qard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

The financial statements of the Company have also been prepared on a historical cost basis, unless otherwise stated in the accounting policies.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The financial statements are presented in Ringgit Malaysia (RM) which is also the Company's functional currency and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

All items of property 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 profit or loss in the financial period in which the costs are incurred.

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

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(b) 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 reporting date.

Amortisation is charged to the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if 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 where 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 to 5 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) 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 incidental to ownership 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 buildings elements in proportion to the relative fair values for leasehold interests in the land and building 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.

(d) Investments and financial assets

Prior to 1 July 2010, investments were recognised initially at purchase price plus attributable transaction costs. Subsequent to initial recognition:

(i) Quoted investments and short-term and Islamic commercial papers are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary, allowance is made against the value of that investment.

(ii) Government guaranteed bonds and unquoted corporate debt securities that are secured or which carry a minimum rating of "BBB" or "P3" are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the date of purchase to maturity dates. Any other corporate debt security with a lower rating is valued at the lower of cost and market value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

(iii) Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated using the effective interest method, from the date of purchase to maturity dates. The amortisation of premiums and accretion of discounts of government guaranteed bonds, appropriate unquoted corporate debt securities, Malaysian Government Securities and other approved investments as specified by BNM are recognised in the income statement.

(iv) Unquoted and other investments are stated at cost less allowance for any impairment losses.

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

With the adoption of FRS 139 *Financial Instruments: Recognition and Measurement* effective 1 July 2010, the Company changed its accounting policies and classified its investments as financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") investments and available-for-sale financial assets ("AFS") or as loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised in the statements of financial position when, and only when, the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company categorises its financial assets in accordance with the following classifications:

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVPTL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

(i) Financial assets at FVTPL (cont'd.)

For assets designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, these financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVPTL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading are presented as current or non-current based on the settlement date.

(ii) Loans and receivables (LAR)

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method. Gains and losses are recognised in income statements when the assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non current.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

(iii) Available-for-sale financial assets (AFS)

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories.

After initial recognition, AFS are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commit to purchase or sell the asset.

(e) Fair value of Financial Assets at FVTPL and AFS

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business on the date of statement of financial position.

For financial assets in quoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in equity that do not have quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Fair value of Financial Assets at FVTPL and AFS (cont'd.)

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, MGS, GII, government guaranteed bonds, Khazanah bonds, the fair value are determined by reference to indicative bid prices obtained from Bondweb. The fair values of structured deposits are based on latest market prices obtained from financial institutions. The market value of NCD/NICDs are determined by reference to BNM Interest Rate Swap. In case of defaulted or bad bonds, there will be internal valuation done to determine the fair value of the bonds.

Over-the-counter derivatives comprise forward foreign exchange contracts, currency on swap contracts and options. They are revalued at the date of statement of financial position, of which valuations are provided by respective counter parties using market convention.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Takaful receivables

To determine whether there is objective evidence that an impairment loss on takaful receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor or significant delay in payments. Takaful receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase number in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of financial assets (cont'd.)

(i) Takaful receivables (cont'd.)

If any such objective evidence has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced and the loss is recognised in profit or loss.

Impairment losses on takaful receivables are recognised as a reduction against the carrying amount of those receivables through the use of an allowance account. When the takaful receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity or participants' funds to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of financial assets (cont'd.)

(iii) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on a financial assets carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent period.

(iv) Loans and receivables (LAR)

LAR are impaired and impairment loss is incurred only if there is objective evidence of impairment loss as a result of occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Impairment losses are recognised in profit or loss in the period in which it arises except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An impairment assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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.

If that is the case, the carrying amount of an asset the 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. Such reversal is recognised in profit or loss, unless the asset is at revalued amount, in which case the reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Retakaful

The Company, as the operator of the participants' fund, cedes takaful risk in the normal course of business for all its business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful contract and terms of the relevant retakaful arrangement.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(i) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

At each reporting date, or more frequently, retakaful assets are reviewed for impairment. Impairment occurs when there is objective evidence as a results of an event that occurred after initial recognition of the retakaful assets that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amount that the Company will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(i) Product classification

The Company, as the operator of the participants' funds issues certificates that contain takaful risk or both financial and takaful risk.

Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Underwriting risk is the risk other than financial risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Product classification (cont'd.)

Takaful certificates are those certificates that contain significant underwriting risk. A takaful certificate is a certificate under which the participants' fund has accepted significant risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Company determines whether it has significant underwriting risk, by comparing claims paid with claims payable if the event did not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Investment contracts are those contracts that do not transfer significant takaful risk.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life-time, even if the underwriting risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as takaful certificates after inception if takaful risk becomes significant.

When takaful certificates contain both a financial risk component and a significant underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

Based on the company's product classification review, all products fall under the classification of takaful certificates.

(j) Shareholder's fund

<u>Expense liabilities</u>

The expense liabilities of the shareholder's fund consists of expense liabilities of the general takaful fund and the family takaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the retakaful contracts and recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Shareholder's fund (cont'd)

(i) Expense liabilities of general takaful fund

The unexpired expense reserves ("UER") are determined based on the expected future expenses payable by the shareholder's fund in managing the general takaful fund for the full contractual obligation of unexpired takaful certificates as at the end of the reporting period less any future income receivable. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.2(k).

(ii) Expense liabilities of family takaful fund

The valuation of expense liabilities in relation to contracts of the family takaful fund is conducted separately by the Appointed Actuary in the shareholder's fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

(iii) Liability adequacy test

At each financial year end, the Company reviews the expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholder's fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

(k) General takaful fund

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus of the general takaful fund. 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.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

(i) Contribution income

Contribution income is recognised in a financial period in respect of risks assumed during that particular financial period. Contribution from direct business are recognised during the financial period upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators. Inward facultative retakaful contributions are recognised in the financial period in respect of the facultative risks accepted during that particular financial period as in the case of direct policies, following the individual risks' inception dates.

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

(ii) Contribution liabilities

Contribution liabilities represent the fund's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all line of business or the best estimate value of the fund's unexpired risk reserves ("URR") at the end of the financial year.

Unearned Contribution Reserves

Unearned Contribution Reserves ("UCR") represent the portion of the gross contributions of Takaful Certificates written net of the related retakaful contributions ceded to qualified reinsurers that relate to the unexpired periods of the certificates at the end of the financial year.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities (cont'd.)

Unearned Contribution Reserves (cont'd.)

Mudharabah

The short-term Unearned Contribution Reserves ("UCR") represent the portion of net contribution income of takaful certificates written that relate to the unexpired periods of certificates at the end of the financial year.

In determining the UCR at the reporting 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 and aviation cargo and transit business; and

- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, 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%

The long-term UCR represents 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 earned 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.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities (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 similar to that used for mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by shareholder's fund.

The URR is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds.

URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to incurred but not reported claims ("IBNR").

(iii) Claims Liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make sure future payments in relation to all claims that have been incurred as at reporting date.

Claims liabilities are estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries.

Claims liabilities comprise of liabilities for outstanding claims being the cost of claims incurred but not reported ("IBNR") at a 90% confidence level.

Liabilities for outstanding claims are recognised upon notification by participants. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(iv) Liability adequacy test

At each reporting date, the Fund reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Fund estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

The estimation of claim liabilities and contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the Fund.

(v) Benefits and Claim expenses

Claim expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to certificate holders or third parties damaged by the certificateholders. They include direct and indirect claims, settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the company.

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Family takaful fund

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

The family takaful fund surplus or 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 outstanding 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.)

(l) Family takaful fund (cont'd.)

(iii) Creation/cancellation of units

Net creation of units which represents contributions paid by participants or unitholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units is received from the participants or unitholders.

(iv) 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.

(v) Family takaful certificates liabilities

Family takaful certificates liabilities are recognised when certificates are in-forced and contributions are charged.

The family takaful certificate liabilities are derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by using an existing liability adequacy test.

If the difference between the value of the family fund and the liabilities results in a deficit, the Company will arrange a Qard (benevolent loan) which will be repaid when the fund returns to a surplus position. An impairment test may be conducted to a Qard which has not been repaid within a specific period of time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Family takaful fund (cont'd.)

(vi) Liability adequacy test

At each reporting date, the Fund reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Fund estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

The estimation of family takaful certificate liabilities performed at reporting date is part of the liability adequacy tests performed by the Fund.

(m) Measurement and impairment of Qard

In the event of the assets of the takaful funds are insufficient to meet the liabilities, Shareholders shall rectify the deficit of the takaful funds via Qard, which is an interest free loan. The Qard shall be repaid from future surplus of the affected takaful funds. In the Shareholders' fund, the Qard is stated at coast less any impairment losses if any, whereas in the takaful funds, the Qard is stated at cost.

Monitoring and measurement are done on an annual basis on the Qard position and the ability of the affected fund to generate sufficient surplus to repay the Shareholders. Projected cash flow is applied in determining the likehood that the Qard will be repaid and to ascertain the duration of time that is required. The method takes into consideration the Company best estimate from the past experience to generate the future yearly surplus. It is then measured by discounting the cash flow of the surplus against the present position of the Qard.

If the Qard is impaired, an amount comprising of the difference between its cost and its recoverable amount, less any impairment loss previously recognized in income statement, is recognized in the income statement. Impairment losses are subsequently reversed in the income statement if it is proven that the Qard is no longer impaired.

(n) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(n) Takaful receivables (cont'd.)

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(d)(ii).

Takaful certificates receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(d), have been met.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances. The statement of cash flows has been prepared using the indirect method.

(p) Income tax

Income tax on profit or loss 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 for the financial year and is computed using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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 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 reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

(q) Zakat

Zakat 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% of the net assets of the Company as decreed by the Shariah Committee.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(r) Takaful payables

Takaful payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(s) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

The Company's other financial liabilities include payables which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Employee benefits (cont'd.)

(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.

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

(iii) Share-based compensation

The ultimate holding company's share-based compensation scheme, MBB Employee Share Options Scheme ("ESOS"), allows the company's employees 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 charged by 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.

(u) 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 reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting 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.)

(u) 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 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 other comprehensive income 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.

(v) Other revenue recognition

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

(i) Dividend income

Dividend income is recognised on a declared basis when the Company's and/or takaful funds' right to receive payment is established.

(ii) Profit income

Profit income are recognised using the effective yield method.

(iii) Wakalah fees

Wakalah fees represent fees charged by the Shareholders' 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.

(iv) Fund Management Fees

Fund management fees are recognised when services are rendered.

(w) Fee and commission income

Participants are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these fees are deferred and recognised over those future financial periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(w) Fee and commission income (cont'd.)

Management fee income earned from investment-linked business is recognised on an accrual basis based on a percentage of the net asset value of the investment-linked funds.

(x) 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

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the adoption of new and revised FRSs. On 1 July 2010, the Company adopted the following mandatory new and amended FRSs, Amendments to FRS and Issues Committee ("IC") Interpretations.

Effective for financial periods beginning on or after 1 January 2010

(i) FRS 4 *Insurance Contracts*
(ii) FRS 7 *Financial Instruments: Disclosures*
(iii) FRS 101 *Presentation of Financial Statements (Revised)*
(iv) FRS 123 *Borrowing Costs*
(v) FRS 139 *Financial Instruments: Recognition and Measurement*
(vi) 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*
(vii) Amendments to FRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
(viii) Amendments to FRS 132 *Financial Instruments: Presentation*
(ix) Amendments to FRS 139 *Financial Instruments: Recognition and Measurement,* FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
(x) Improvements to FRS issued in 2009
(xi) IC Interpretation 9 *Reassessment of Embedded Derivatives*
(xii) IC Interpretation 10 *Interim Financial Reporting and Impairment*
(xiii) IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
(xiv) IC Interpretation 13 *Customer Loyalty Programmes*
(xv) IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies (Cont'd.)

Effective for financial periods beginning on or after 1 July 2010

(i) FRS 1 *First-time Adoption of Financial Reporting Standards (Revised)*
(ii) FRS 3 *Business Combinations (Revised)*
(iii) Amendments to FRS 2 *Share-based Payment*
(iv) Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
(v) Amendments to FRS 127 *Consolidated and Separate Financial Statements*
(vi) Amendments to FRS 138 *Intangible Assets*
(vii) Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
(viii) IC Interpretation 12 *Service Concession Arrangements*
(ix) IC Interpretation 15 *Agreements for the Construction of Real Estate*
(x) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
(xi) IC Interpretation 17 *Distributions of Non-cash assets to Owners*

TR *i*-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual financial periods beginning on or after 1 January 2010. The Technical Release is, however, not applicable to the Company.

The adoption of the above FRSs, Amendments to FRS and IC Interpretations did not have any significant effect on the financial performance or position of the Group and the Company except for those discussed below:

(a) FRS 7 *Financial Instruments: Disclosures*

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

In accordance with the transitional provisions of FRS 7, the Company have applied the disclosure requirements of the Standard prospectively and, hence, comparative disclosures have not been provided. The new disclosures are included throughout the notes to the financial statements for the year ended 30 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies (Cont'd.)

(b) FRS 101 *Presentation of Financial Statements* (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line.

The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The Company has early adopted certain of the requirements of and has prepared the financial statements in accordance with BNM's Guideline on Financial Reporting for Takaful Operators which was issued on 23 December 2010.

The Guideline requires takaful operators to present statements of financial position, income statements, statements of comprehensive income and related explanatory notes by funds, i.e., the Company's statement of financial position, income statement, statement of comprehensive income, and related explanatory notes are presented separately, from those of the takaful funds. This is a modification to FRS 101 *Presentation of Financial Statements* which is approved by BNM under Section 41 of the Takaful Act 1984.

The revised FRS 101 also requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital as disclosed in Note 33.

The revised FRS 101 was adopted retrospectively by the Company.

(c) FRS 139 *Financial Instruments: Recognition and Measurement*

The accounting policies adopted by the Company prior to and after the adoption of FRS 139 are disclosed in Note 2.2(d). The Company has adopted FRS 139 prospectively in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings or via the creation of AFS reserves as at 1 July 2010 as disclosed in Note 2.5. The relevant comparatives are not restated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies (Cont'd.)

(d) FRS 4 *Insurance Contracts*

This Standard specifies the financial reporting requirements for takaful certificates by any entity that issues such contracts. The key changes arising from the adoption of this Standard is summarised as follows:

(i) Gross presentation

The Standard requires that assets, liabilities, income and expenses arising from takaful certificates to be presented on a gross basis separately from assets, liabilities, income and expenses arising from the related retakaful arrangements. The impact arising from the grossing up of such balances is described in Note 39.

(ii) Impairment of retakaful assets and takaful receivables

Prior to 1 July 2010, provision for doubtful debts was made in the financial statements for any balances from agents, brokers and retakaful operators which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

Upon the adoption of FRS 4, if there is objective evidence that retakaful assets and by extension, takaful receivables are impaired, the carrying amount of the assets is reduced accordingly and an impairment loss is recognised in the income statement.

This change is an accounting policy change as it affects the basis of measurement of impairment losses for takaful receivables and should be adjusted retrospectively. However, management has determined that insufficient data is available to reliably estimate the impairment losses on retakaful assets and takaful receivables as at 1 July 2009. Accordingly, the impact of the change as been adjusted to the earliest comparative period as at 30 June 2010. The relevant adjustments made to the prior year financial position/results as at 30 June 2010 and to the opening reserves as at 1 July 2010 are as disclosed in Note 2.5.

(iii) Qualitative and quantitative disclosures

The Standard also requires additional disclosures to assist users of financial statements in understanding the amounts, timing and uncertainty of future cash flows arising from insurance contracts including a reconciliation between the opening and closing balances of takaful certificates liabilities and a sensitivity analysis on underwriting risk.

The new disclosures are included throughout the notes to the financial statements for the year ended 30 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following new FRSs, amendments to FRS, Interpretations of the Issues Committee ("IC Interpretations") and Technical Releases ("TRs") have been issued but are not yet effective at 30 June 2011 and have not been adopted by the Company.

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters.*
Amendments to FRS 1 *Additional Exemptions for First-time Adopters*
Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*
Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2010)
Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*
IC Interpretation 4 *Determining whether an Arrangement contains a Lease*
IC Interpretation 15 Agreements for the Construction of Real Estate
IC Interpretation 18 *Transfers from Assets from Customers*
TR 3 *Guidance on Disclosures of Transition to IFRSs*
TR *i*-4 *Shariah Compliant Sale Contracts*

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Effective for financial periods beginning on or after 1 January 2012

FRS 124 *Related Party Disclosures (Revised)*
IC Interpretation 15 *Agreements for the Construction of Real Estate*

The Company plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Company upon their initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements

The following tables present the changes to the related statement of financial position items, arising from the adoption of new and revised FRSs as disclosed in Note 2.3. The adjustments to the carrying amount of the affected items from the adoption of FRS 4 have been accounted for retrospectively as at 30 June 2010. The adjustments to the carrying amount of the affected items arising from the adoption of FRS 139 have been adjusted to the opening retained earnings, accumulated surplus or via the creation of AFS reserves in accordance with the transitional provisions of FRS 139. These adjustments are detailed as follows:

SHAREHOLDER'S FUND

	As at 30 June 2010 RM'000	**Increase/ (Decrease) RM'000**	**As at 30 June 2010 (Restated) RM'000**
Retained Profits	311,651	325	311,976
Effect on adoption of FRS 4:			
Takaful receivables		325	

	As at 1 July 2010 RM'000	**Increase/ (Decrease) RM'000**	**As at 1 July 2010 (Restated) RM'000**
Retained Profits	311,651	(1,194)	310,457
Effects of adoption of FRS 139:			
Investment assets		(2,299)	
Deferred tax		780	
Effects of adoption of FRS 4:			
Takaful receivables		325	
AFS Reserve	-	6,914	6,914
Effects of adoption of FRS 139:			
Fair value gains on AFS financial assets		9,218	
Deferred tax effects		(2,304)	

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial year ended 30 June 2011 are higher or lower than it would have been had the previous policies been applied in the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements (Cont'd.)

SHAREHOLDER'S FUND (cont'd.)

Effects on Statement of Financial Position as at 30 June 2011

	Increase/ (Decrease) RM'000
Investments	13,106
Other receivables	(482)
Deferred tax liabilities	3,661
AFS reserves	10,983
Retained profits	(2,020)

Effects on Income Statement for the year ended 30 June 2011

	Increase/ (Decrease) RM'000
Other expense	926
Surplus transferred from:	
General takaful fund	1,344
Family takaful fund	(463)

GENERAL TAKAFUL FUND

	As at 30 June 2010 RM'000	Increase/ (Decrease) RM'000	As at 30 June 2010 (Restated) RM'000
Accumulated Surplus	60,082	325	60,407
Effects of adoption of FRS 4:			
Takaful receivables		325	

	As at 1 July 2010 RM'000	Increase/ (Decrease) RM'000	As at 1 July 2010 (Restated) RM'000
Accumulated Surplus	60,082	(306)	59,776
Effects of adoption of FRS 139:			
Investment assets		(631)	
Effects of adoption of FRS 4:			
Takaful receivables		325	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements (Cont'd.)

GENERAL TAKAFUL FUND (cont'd.)

	As at 1 July 2010 RM'000	Increase/ (Decrease) RM'000	As at 1 July 2010 (Restated) RM'000
AFS Reserve	-	19,758	19,758
Effects of adoption of FRS 139:			
Fair value gains on AFS financial assets		$\boxed{19,758}$	

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial year ended 30 June 2011 are higher or lower than it would have been had the previous policies been applied in the current financial year.

Effects on Statement of Financial Position as at 30 June 2011

	Increase/ (Decrease) RM'000
Investments	31,894
Takaful receivables	4,367
Other payable	1,038
AFS reserves	34,185
Accumulated surplus	1,038

Effects on Income Statement for the year ended 30 June 2011

	Increase/ (Decrease) RM'000
Other expenses	(2,688)
Surplus transferred to shareholder's fund	1,344

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements (Cont'd.)

FAMILY TAKAFUL FUND

	As at 30 June 2010 RM'000	Increase/ (Decrease) RM'000	As at 30 June 2010 (Restated) RM'000
Accumulated Surplus	610,561	4,044	614,605
Effects of adoption of FRS 4:			
Takaful receivables		4,044	

	As at 1 July 2010 RM'000	Increase/ (Decrease) RM'000	As at 1 July 2010 (Restated) RM'000
Accumulated Surplus	610,561	(615)	609,946
Effects of adoption of FRS 139:			
Investment assets		(4,659)	
Effects of adoption of FRS 4:			
Takaful receivables		4,044	
AFS Reserve	-	145,537	-
Effects of adoption of FRS 139:			
Fair value gains on AFS financial assets		145,537	

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial year ended 30 June 2011 are higher or lower than it would have been had the previous policies been applied in the current financial year.

<u>**Effects on Statement of Financial Position as at 30 June 2011**</u>

	Increase/ (Decrease) RM'000
Investments	260,208
Takaful receivables	(4,774)
Other payables	(4,448)
AFS reserves	286,489
Accumulated surplus	(26,608)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements (Cont'd.)

FAMILY TAKAFUL FUND (Cont'd.)

Effects on Income Statement for the year ended 30 June 2011

	Increase/(decrease) RM'000
Other expenses	11,806
Surplus transferred to shareholder's fund	(463)

2.6 Significant Accounting Estimates and Judgements

(a) Critical judgements made in applying accounting policies

The preparation of financial statements in conformity with FRS requires management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed as below:

(i) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than it's cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows.

(ii) Impairment of receivables

The Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Company are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Significant Accounting Estimates and Judgements (Cont'd.)

(b) Key sources of estimation uncertainty

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

(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 reporting 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) Uncertainty in accounting estimates for general takaful business

The principal uncertainty in the general takaful certificate liabilities arises from the technical provisions which include the contribution liabilities and claims liabilities. The basis of valuation of the contribution liabilities is explained in Note 2.2(i) of the financial statements.

The estimation bases for unearned contribution reserves is explained in the related accounting policy statement whilst claim liabilities comprise provision for outstanding claims. Generally, claims liabilities are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

The estimates of contribution liabilities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Significant Accounting Estimates and Judgements (Cont'd.)

(b) Key Sources of Estimation Uncertainty (cont'd.)

(ii) Uncertainty in accounting estimates for general takaful business (cont'd.)

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, judicial interpretations, legislative changes and claims handling procedures.

(iii) Uncertainty in accounting estimates for family takaful business

For family takaful certificates, estimates are made for future deaths, disabilities, maturities and investment returns 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.

Bank Negara Malaysia has issued new Guidelines on Valuation Basis for Liabilities of Family Takaful Business which shall take effect beginning on and after 1 July 2011. The guidelines sets out prudential requirements that should be observed by takaful operators in valuing liabilities of their family takaful business, with the aim of providing for those liabilities at a specified level of adequacy with explicit prudential margins. The Guidelines is intended to reflect the takaful operator's fiduciary duty to manage the takaful funds prudently, treat participants fairly as well as to ensure that the shareholders' fund can adequately support the takaful business. The Company had not adopted the guidelines earlier in its financial statement for the year ended 30 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Significant Accounting Estimates and Judgements (Cont'd.)

(b) Key Sources of Estimation Uncertainty (cont'd.)

(iv) Deferred taxation

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 reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting 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 financial period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all provisions for diminution in value of investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

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3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

	Furniture, fittings, office equipment & renovations RM'000	Computers & peripherals RM'000	Motor vehicles RM'000	Total RM'000
2011				
Cost				
At 1 July 2010	19,845	15,972	589	36,406
Additions	2,528	2	-	2,530
Adjustment	(112)	-	-	(112)
At 30 June 2011	22,261	15,974	589	38,824
Accumulated Depreciation				
At 1 July 2010	16,697	15,726	497	32,920
Charge for the year	1,112	109	5	1,226
At 30 June 2011	17,809	15,835	502	34,146
Net Book Value				
At 30 June 2011	4,452	139	87	4,678

	Furniture, fittings, office equipment & renovations RM'000	Computers & peripherals RM'000	Motor vehicles RM'000	Total RM'000
2010				
Cost				
At 1 July 2009	18,389	15,758	659	34,806
Additions	3,794	130	144	4,068
Disposal	(195)	-	(214)	(409)
Reclassification	(1,889)	84	-	(1,805)
Transfer to funds	(164)	-	-	(164)
Write off	(90)	-	-	(90)
At 30 June 2010	19,845	15,972	589	36,406
Accumulated Depreciation				
At 1 July 2009	15,437	15,532	658	31,627
Charge for the year	1,270	194	50	1,514
Disposal	-	-	(211)	(211)
Transfer to funds	(10)	-	-	(10)
At 30 June 2010	16,697	15,726	497	32,920
Net Book Value				
At 30 June 2010	3,148	246	92	3,486

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

General takaful fund

	Furniture, fittings, office equipment & renovations RM'000	Computers and peripherals RM'000	Total RM'000
2011			
Cost			
At 1 July 2010/ 30 June 2011	579	1,514	2,093
Accumulated Depreciation			
At 1 July 2010	566	1,514	2,080
Charge for the year	5	-	5
At 30 June 2011	571	1,514	2,085
Net Book Value			
At 30 June 2011	8	-	8
2010			
Cost			
At 1 July 2009/ 30 June 2010	579	1,514	2,093
Accumulated Depreciation			
At 1 July 2009	560	1,485	2,045
Charge for the year	6	29	35
At 30 June 2010	566	1,514	2,080
Net Book Value			
At 30 June 2010	13	-	13

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

Family takaful fund

	Furniture, fittings, office equipment & renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
2011				
Cost				
At 1 July 2010/ 30 June 2011	1,838	1,859	-	3,697
Accumulated Depreciation				
At 1 July 2010	1,822	1,858	-	3,680
Charge for the year	7	1	-	8
At 30 June 2011	1,829	1,859	-	3,688
Net Book Value				
At 30 June 2011	9	(0)	-	9
2010				
Cost				
At 1 July 2009	1,838	1,859	102	3,799
Disposals	-	-	(102)	(102)
At 30 June 2010	1,838	1,859	-	3,697
Accumulated Depreciation				
At 1 July 2009	1,816	1,856	102	3,774
Charge for the year	6	2	-	8
Disposal	-	-	(102)	(102)
At 30 June 2010	1,822	1,858	-	3,680
Net Book Value				
At 30 June 2010	16	1	-	17

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:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Furniture, fittings, office equipment and renovations	12,861	556	1,806
Computers and peripherals	15,680	1,514	1,859
Motor vehicles	445	-	102
	28,986	2,070	3,767
2010			
Furniture, fittings, office equipment and renovations	12,464	556	1,805
Computers and peripherals	15,430	1,514	1,854
Motor vehicles	445	-	-
	28,339	2,070	3,659

4. INTANGIBLE ASSETS

Shareholder's fund	Software development costs RM'000	Software RM'000	Total RM'000
2011			
Cost			
At 1 July 2010	-	28,863	28,863
Additions	-	2,190	2,190
Adjustment	-	(194)	(194)
At 30 June 2011	-	30,859	30,859
Accumulated Amortisation and Impairment			
At 1 July 2010	-	13,009	13,009
Amortisation charge for the year	-	5,455	5,455
At 30 June 2011	-	18,464	18,464
Net Book Value			
At 30 June 2011	-	12,395	12,395

4. INTANGIBLE ASSETS (CONT'D.)

Shareholder's fund (Cont'd.)

	Software development costs RM'000	Software RM'000	Total RM'000
2010			
Cost			
At 1 July 2009	325	14,335	14,660
Additions	-	4,798	4,798
Reclassification	(325)	2,130	1,805
Transfer from funds	-	7,600	7,600
At 30 June 2010	-	28,863	28,863
Accumulated Amortisation and Impairment			
At 1 July 2009	-	9,480	9,480
Amortisation charge for the year	-	3,054	3,054
Transfer from funds	-	475	475
At 30 June 2010	-	13,009	13,009
Net Book Value			
At 30 June 2010	-	15,854	15,854

General takaful fund

	Software development costs RM'000	Software RM'000	Total RM'000
2011			
Cost			
At 1 July 2010	-	11,234	11,234
Additions	528	-	528
At 30 June 2011	528	11,234	11,762
Accumulated Amortisation and Impairment			
At 1 July 2010	-	11,132	11,132
Amortisation charge for the year	-	62	62
At 30 June 2011	-	11,194	11,194
Net Book Value			
At 30 June 2011	528	40	568

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4. INTANGIBLE ASSETS (CONT'D.)

General takaful fund (Cont'd.)

	Software development costs RM'000	Software RM'000	Total RM'000
2010			
Cost			
At 1 July 2009	7,686	11,174	18,860
Reclassification	(7,686)	7,686	-
Transfer to funds	-	(7,626)	(7,626)
At 30 June 2010	-	11,234	11,234
Accumulated Amortisation and Impairment			
At 1 July 2009	-	11,083	11,083
Amortisation charge for the year	-	526	526
Transfer to funds	-	(477)	(477)
At 30 June 2010	-	11,132	11,132
Net Book Value			
At 30 June 2010	-	102	102

Family takaful fund

	Software development costs RM'000	Software RM'000	Total RM'000
2011			
Cost			
At 1 July 2010	-	10,137	10,137
Adjustment	-	(215)	(215)
At 30 June 2011	-	9,922	9,922
Accumulated Amortisation and Impairment			
At 1 July 2010	-	7,861	7,861
Amortisation charge for the year	-	826	826
At 30 June 2011	-	8,687	8,687
Net Book Value			
At 30 June 2011	-	1,235	1,235

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4. INTANGIBLE ASSETS (CONT'D.)

Family takaful fund (Cont'd.)

	Software development costs RM'000	Software RM'000	Total RM'000
2010			
Cost			
At 1 July 2009	1,408	8,539	9,947
Reclassification	(1,408)	1,408	-
Transfer from funds	-	190	190
At 30 June 2010	-	10,137	10,137
Accumulated Amortisation and Impairment			
At 1 July 2009	-	7,066	7,066
Amortisation charge for the year	-	784	784
Transfer from funds	-	12	12
At 30 June 2010	-	7,862	7,862
Net Book Value			
At 30 June 2010	-	2,275	2,275

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5. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
At cost:			
Other investments:			
Malaysian government papers	17,135	12,031	331,404
Unquoted debt securities in Malaysia	131,612	435,682	3,394,804
Equity securities:			
Quoted in Malaysia	17,393	73,586	307,791
Less: General provision for diminution in value	-	(8,672)	(45,750)
Unquoted in Malaysia	230	-	-
Quoted unit and property trust funds in Malaysia	657	2,781	53,606
Negotiable Islamic certificate of deposits	-	25,959	145,186
	167,027	541,367	4,187,041
Deposits and placements:			
Islamic investment accounts with:			
Licensed banks	67,467	141,871	738,344
Other financial institutions	5,676	89,761	197,880
	73,143	231,632	936,224
	240,170	772,999	5,123,265

In accordance with Note 2.2(e), the investments of the Company and the takaful funds as at 30 June 2011 are now classified AFS financial assets or as loans and receivables and these are as disclosed in Notes 6 and 7 to the financial statements respectively.

6. AFS FINANCIAL ASSETS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
At fair value:			
Malaysian government papers	12,023	174,695	995,733
Unquoted debt securities in Malaysia	132,097	443,636	3,448,855
Equity securities:			
Quoted in Malaysia	35,314	149,121	633,150
Less: General provision for diminution in value *	-	(8,672)	(45,750)
Unquoted in Malaysia	230	-	-

6. AFS FINANCIAL ASSETS (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Quoted unit and property trust funds in Malaysia	415	2,503	18,190
Negotiable Islamic certificate of deposits	-	23,135	135,696
	180,079	784,418	5,185,874

The investments in unquoted shares are measured at cost and their fair value are not disclosed as they cannot be measured reliably based on available information.

The following table provides information of fair values of AFS financial assets analysed by the different fair value measurement bases (excluding the 8% general provisions for diminution prescribed by BNM) as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Quoted market price	35,729	151,624	651,340
Valuation techniques : market observable inputs	144,120	641,466	4,580,284
At cost	230	-	-
	180,079	793,090	5,231,624

* 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 practice of making general provisions for diminution in value has ceased.

In accordance with FRS 139 and FRS 137 Provisions, Contingent Liabilities and Contingent Assets,the general provision for diminution in value does not meet the definition of either impairment losses, that is, the amount by which the carrying amount of an asset exceeds its fair value, or a liability, that is, a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow of economic benefits. In accordance with the requirements of the Guideline issued by BNM, the Company has continued to maintain the general provision for diminution in value.

These are modifications to the FRS which had been approved by BNM under para 5.2 of BNM/RH/GL 004-6: Guidelines on Financial Reporting for Takaful Operators. Had the Company applied the requirements of the Standards, the investment of the general and family takaful funds would have been higher by RM8,672,000 and RM45,750,000 respectively; consequently, the participants' fund of the general and family takaful funds would have been higher by RM8,672,000 and RM45,750,000 respectively.

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7. LOAN AND RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed banks	126,735	122,197	708,942
Other financial institutions	27,359	59,676	341,129
	154,094	181,873	1,050,071

8. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Corporate loans	-	5,453	78,440
Staff loans:			
Secured	22,772	-	-
Unsecured	-	-	45
Allowance for impairment losses	(580)	(3,832)	(24,999)
	22,192	1,621	53,486
Receivable within 12 months	1,828	858	12,813
Receivable after 12 months	20,364	763	40,673
	22,192	1,621	53,486
2010			
Corporate loans	-	5,528	79,295
Staff loans:			
Secured	22,112	-	-
Unsecured	-	-	87
Allowance for impairment losses	(580)	(3,832)	(22,008)
	21,532	1,696	57,374
Receivable within 12 months	1,827	75	32,828
Receivable after 12 months	19,705	1,621	24,546
	21,532	1,696	57,374

8. FINANCING RECEIVABLES (CONT'D.)

The carrying amounts of financing receivables approximate their fair values as these loans are issued at profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and the impact of discounting thereon is not material.

The weighted average effective profit rate of financing receivables at the reporting date was 5.72% (2010: 5.70%).

9. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000
2011		
Due premiums including agents/ brokers and co-insurers balances	102,987	89,353
Due from retakaful operators	29,393	6,063
	132,380	95,416
Allowance for impairment losses	(26,531)	(15,144)
	105,849	80,272
2010		
Due premiums including agents/ brokers and co-insurers balances	15,206	160,153
Due from retakaful operators	88,843	1,241
	104,049	161,394
Allowance for impairment losses	(22,813)	(8,453)
	81,236	152,941

10. OTHER RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Sundry receivables, deposits and prepayments	7,591	2,087	26,494
Investment profit receivable	2,424	8,408	49,479
Qardhul Hasan to the family takaful fund *	36,684	-	-
Amount due from:			
General takaful fund **	60,371	-	4,861
Family takaful fund **	79,700	-	-
Investment-linked funds **	226	-	1,904
Amount due from stockbrokers	31	139	1,970
	187,027	10,634	84,708

10. OTHER RECEIVABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Sundry receivables, deposits and prepayments	8,714	1,513	8,895
Investment profit receivable	2,595	5,745	45,988
Qardhul Hasan to the family takaful fund *	36,684	-	-
Amount due from:			
General takaful fund **	48,996	-	8,291
Family takaful fund **	117,220	-	-
Investment-linked funds **	285	-	4,236
	214,494	7,258	67,410

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

* 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 out of future surpluses of the group family takaful fund.

** The amounts due from general takaful, family takaful and investment-linked funds are unsecured, not subject to any interest/profit elements and are repayable upon demand.

11. DEFERRED TAXATION

	2011 RM'000	2010 RM'000
Shareholder's fund		
At 1 July, as previously stated	(2,505)	(1,262)
Effects of adoption of FRS 139 (Note 2.5)	(1,524)	-
At 1 July, as restated	(4,029)	(1,262)
Recognised in :		
Profit or loss	(2,386)	(1,243)
Other comprehensive income	(1,357)	-
At 30 June	(7,772)	(2,505)

11. DEFERRED TAXATION (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 liabilities shown in the statement of financial position has been determined after appropriate offsetting as follows:

	2011 RM'000	2010 RM'000
Deferred tax assets	145	120
Deferred tax liabilities	(7,917)	(2,625)
	(7,772)	(2,505)

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

	AFS reserves RM'000	Investments RM'000	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
As at 1 July 2009	-	203	(1,465)	-	(1,262)
Recognised in profit or loss	-	(83)	(1,160)	-	(1,243)
As at 30 June 2010	-	120	(2,625)	-	(2,505)
At 1 July 2010, as previously stated	-	120	(2,625)	-	(2,505)
Effects of adoption of FRS 139 (Note 2.5)	(2,304)	780	-	-	(1,524)
As at 1 July 2010, as restated	(2,304)	900	(2,625)	-	(4,029)
Recognised in:					
Profit or loss	-	(1,307)	(1,224)	145	(2,386)
Other comprehensive income	(1,357)	-	-	-	(1,357)
At 30 June 2011	(3,661)	(407)	(3,849)	145	(7,772)

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12. SHARE CAPITAL

	No of share	RM'000
2011		
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of year	100,000	100,000
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At beginning and end of year	100,000	100,000
2010		
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of year	100,000	100,000
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At beginning and end of year	100,000	100,000

13. GENERAL TAKAFUL FUND

	2011 RM'000	2010 RM'000
Accumulated surplus (Note (i))	59,678	60,407
AFS reserves (Note (ii))	34,185	-
	93,863	60,407

(i) Accumulated surplus

	2011 RM'000	2010 RM'000
At 1 July, as previously stated	60,082	31,037
Effects of adopting FRS 4 (Note 2.5)	325	-
Effects of adopting FRS 139 (Note 2.5)	(631)	-
At 1 July, as restated	59,776	31,037
Surplus arising during the year	42,602	45,050
Effects of adopting FRS 4 (Note 2.5)	-	325
Surplus arising during the year, as restated	42,602	45,375
Hibah paid to participants during the year	(42,700)	(16,005)
At 30 June, as restated	59,678	60,407

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13. GENERAL TAKAFUL FUND (CONT'D.)

(ii) AFS reserves

	2011 RM'000	2010 RM'000
At 1 July, as previously stated	-	-
Effects of adopting FRS 139 (Note 2.5)	19,758	-
At 1 July, as restated	19,758	-
Net gain on fair value changes	27,911	-
Realised gain transferred to income statement (Note 22)	(13,484)	-
At 30 June	34,185	-

14. FAMILY TAKAFUL FUND

	2011 RM'000	**2010 RM'000**
Accumulated surplus (Note (i))	748,138	614,605
Qardhul Hasan * (Note (ii))	36,684	36,684
AFS reserves (Note (iii))	286,489	-
	1,071,311	651,289

* The Qard of RM36,684,000 (2010: RM36,684,000) above has been set-off against Islamic investment accounts of the family takaful fund of RM1,050,071,000 (2010: RM936,224,000) in arriving at the total Family takaful fund assets and liabilities and participants' fund of RM6,600,859,000 (2010: RM5,784,750,000) on the Company's statement of financial position at page 15.

(i) Accumulated surplus

	2011 RM'000	**2010 RM'000**
At 1 July, as previously stated	610,561	491,817
Effects of adopting FRS 4 (Note 2.5)	4,044	-
Effects of adopting FRS 139 (Note 2.5)	(4,659)	-
At 1 July, as restated	609,946	491,817
Surplus arising during the year	158,435	169,351
Effects of adopting FRS 4 (Note 2.5)	-	4,044
Surplus arising during the year, as restated	158,435	173,395
Repayment of Qardhul Hasan	-	(21,000)
Hibah paid to participants during the year	(20,243)	(29,607)
At 30 June, as restated	748,138	614,605

14. FAMILY TAKAFUL FUND (CONT'D.)

(ii) Qardhul Hasan

	2011 RM'000	2010 RM'000
At 1 July	36,684	57,684
Decrease in Qardhul Hasan	-	(21,000)
At 30 June	36,684	36,684

(iii) AFS reserves

	2011 RM'000	2010 RM'000
At 1 July, as previously stated	-	-
Effect of adopting FRS 139 (Note 2.5)	145,537	-
At 1 July, as restated	145,537	-
Net gain on fair value changes	195,526	-
Realised gain transferred to income statement (Note 22)	(54,574)	-
At 30 June	286,489	-

Qardhul Hasan is a benevolent loan provided by the shareholder's fund to make good the actuarial valuation deficit experienced by the group family takaful fund. It does not have any profit elements, is unsecured and is repayable out of future surpluses of the group family takaful fund.

15. TAKAFUL PAYABLES

	General takaful fund RM'000	Family takaful fund RM'000
2011		
Due to agents, retakaful operators and brokers	12,522	81,094
Due to retakaful operators	52,169	15,441
	64,691	96,535
2010		
Due to agents, retakaful operators and brokers	11,210	70,347
Due to retakaful operators	57,299	6,802
	68,509	77,149

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

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16. OTHER PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Contributions deposits	-	88	8,023
Advance contributions	387	41,056	26,462
Amount due to:			
Shareholders fund *	-	60,371	79,700
Family takaful fund *	-	4,861	-
Amount due to stockbrokers	-	15,973	24,690
Unclaimed monies	478	2,343	6,724
Service tax payable	-	1,132	6,911
Mudharabah payable	-	75,501	-
Amount due to related companies *	9,534	-	-
Sundry payables and accrued liabilities	48,598	9,782	7,786
	58,997	211,107	160,296
2010			
Contributions deposits	-	12	6,756
Advance contributions	317	38,353	22,251
Amount due to:			
Shareholders fund *	-	48,996	80,536
Family takaful fund *	-	8,291	-
Investment-linked funds *			
Amount due to stockbrokers	-	617	4,909
Unclaimed monies	661	2,129	7,231
Service tax payable	-	580	7,832
Mudharabah payable	-	33,779	-
Amount due to related companies *	3,404	-	-
Sundry payables and accrued liabilities	48,899	12,274	23,478
	53,281	145,031	152,993

* The amounts due to related companies, general takaful, family takaful and investment-linked funds are unsecured, not subject to any interest/profit elements and are repayable upon demand.

The carrying amounts disclosed above approximate their fair values at the reporting date. All amounts are payable within one year.

17. TAKAFUL CERTIFICATE LIABILITIES

(a) Family takaful fund

(i) The family takaful contract liabilities and its movements are further analysed as follows:

	Gross RM'000	Retakaful RM'000	Net RM'000
2011			
Provision for outstanding claims	104,725	-	104,725
Actuarial liabilities	5,042,353	(40,937)	5,001,416
	5,147,078	(40,937)	5,106,141
2010			
Provision for outstanding claims	87,272	-	87,272
Actuarial liabilities	4,480,007	(68,848)	4,411,159
	4,567,279	(68,848)	4,498,431
2009			
Provision for outstanding claims	41,403	-	41,403
Actuarial liabilities	3,728,105	-	3,728,105
	3,769,508	-	3,769,508

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17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities

	Provision for outstanding claims RM'000	Actuarial Liabilities RM'000	Gross Liabilities RM'000	Retakaful assets RM'000	Net Liabilities RM'000
2011					
As at 1 July 2010	87,272	4,480,007	4,567,279	(68,848)	4,498,431
Net earned contribution	-	-	-	(20,236)	(20,236)
Experience/benefit variation	17,453	(17,453)	-	16,287	16,287
Claims intimated during the year	609,357	(626,810)	(17,453)	-	(17,453)
Claims paid during the year	(609,357)	-	(609,357)	3,949	(605,408)
Increase in certificate reserves	-	1,206,609	1,206,609	27,911	1,234,520
As at 30 June 2011	104,725	5,042,353	5,147,078	(40,937)	5,106,141
2010					
As at 1 July 2009, as restated	41,403	3,728,105	3,769,508	-	3,769,508
Net earned contributions	-	-	-	(24,136)	(24,136)
Experience/benefit variation	45,869	(45,869)	-	21,838	21,838
Claims intimated during the year	384,372	(430,241)	(45,869)	-	(45,869)
Claims paid during the year	(384,372)	-	(384,372)	2,298	(382,074)
Increase in certificate reserves	-	1,228,012	1,228,012	(68,848)	1,159,164
As at 30 June 2010	87,272	4,480,007	4,567,279	(68,848)	4,498,431

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17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
2011			
Claims liabilities (Note (i))	550,022	(234,780)	315,242
Contribution liabilities (Note (ii))	490,044	(65,284)	424,760
	1,040,066	(300,064)	740,002
2010			
Claims liabilities (Note (i))	353,048	(93,842)	259,206
Contribution liabilities (Note (ii))	379,283	(29,438)	349,845
	732,331	(123,280)	609,051
2009			
Claims liabilities (Note (i))	266,292	(53,369)	212,923
Contribution liabilities (Note (ii))	326,237	(14,744)	311,493
	592,529	(68,113)	524,416

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2011			
At 1 July	353,048	(93,842)	259,206
Claims incurred in the current accident year	442,564	(161,865)	280,699
Movement in claims incurred in prior accident years	20,269	(7,663)	12,606
Claims paid during the year	(265,859)	28,590	(237,269)
At 30 June	550,022	(234,780)	315,242
2010			
At 1 July	266,292	(53,369)	212,923
Claims incurred in the current accident year	241,083	(40,719)	200,364
Movement in claims incurred in prior accident years	4,271	(10,950)	(6,679)
Claims paid during the year	(158,598)	11,196	(147,402)
At 30 June	353,048	(93,842)	259,206

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17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) General takaful fund

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Total RM'000
2011			
At 1 July	379,283	(29,438)	349,845
Contributions written in the year	636,241	(101,773)	534,468
Contributions earned during the year	(525,480)	65,927	(459,553)
At 30 June	490,044	(65,284)	424,760
2010			
At 1 July	326,237	(14,744)	311,493
Contributions written in the year	489,516	(96,349)	393,167
Contributions earned during the year	(436,470)	81,655	(354,815)
At 30 June	379,283	(29,438)	349,845

18. OPERATING REVENUE

	2011 RM'000	2010 RM'000
Shareholder's fund		
Wakalah fees (Note 20)	207,918	155,321
Creation of investment-linked units	1,219	-
Investment income (Note 21)	12,497	10,219
	221,634	165,540
General takaful fund		
Gross contributions (Note 19)	636,241	489,516
Investment income (Note 21)	33,767	29,461
	670,008	518,977
Family takaful fund		
Gross contributions (Note 19)	1,446,925	1,466,304
Investment income (Note 21)	257,571	218,999
	1,704,496	1,685,303

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19. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000
2011		
(a) Gross contribution	636,241	1,446,925
Change in unearned contribution reserves	(110,761)	-
	525,480	1,446,925
(b) Contributions ceded to retakaful operators	(101,773)	(20,236)
Change in unearned contribution reserves	35,846	-
	(65,927)	(20,236)
	459,553	1,426,689
2010		
(a) Gross contribution	489,516	1,466,304
Change in unearned contribution reserves	(53,046)	-
	436,470	1,466,304
(b) Contributions ceded to retakaful operators	(96,349)	(24,136)
Change in unearned contribution reserves	14,694	-
	(81,655)	(24,136)
	354,815	1,442,168

20. FEES AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Surrender charges	-	-	28
Wakalah fee income:			
General takaful fund	161,316	-	-
Family takaful fund	44,703	-	-
Investment-linked funds	1,900	-	-
Profit commission	-	789	2,303
Retakaful commission income	-	15,306	-
	207,919	16,095	2,331

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20. FEES AND COMMISSION INCOME (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Surrender charges	-	-	63
Wakalah fee income			
General takaful fund	118,418	-	-
Family takaful fund	33,718	-	-
Investment-linked funds	3,184	-	-
Profit commission	-	(625)	2,034
Retakaful commission income	-	20,589	-
	155,320	19,964	2,097

21. INVESTMENT INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
AFS financial assets:			
Profit income	7,600	26,230	194,585
Dividend income:			
Equity securities	827	4,000	16,785
Unit and property trusts	24	182	1,303
LAR:			
Profit income	3,680	4,417	26,799
Accretion of discount/(amortisation) of premium	507	(866)	19,314
Investment related expenses	(141)	(196)	(1,215)
	12,497	33,767	257,571
2010			
AFS financial assets:			
Profit income	7,667	21,345	150,637
Dividend income:			
Equity securities	499	2,253	10,345
Unit and property trusts	36	228	2,564
LAR:			
Profit income	2,014	4,876	34,596
Accretion of discount	317	873	21,924
Investment related expenses	(314)	(114)	(1,067)
	10,219	29,461	218,999

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22. REALISED GAINS AND LOSSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Reversal of impairment	926	2,004	9,204
Gain on disposal of AFS financial assets	4,770	13,484	54,574
	5,696	15,488	63,778
2010			
Gain on disposal of property and equipment	52	-	24
Gain on disposal of investments	1,274	4,990	32,029
	1,326	4,990	32,053

23. OTHER OPERATING REVENUE/ (EXPENSES)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Unrealised gain on foreign exchange	-	4	-
Sundry income	49	-	2
Processing fee income	12,610	-	160
Realised loss on foreign exchange	-	(11)	-
Impairment losses on:			
Investments	(926)	(1,030)	(2,988)
Financing receivables	-	-	(2,991)
Trade receivables	-	(3,718)	(6,691)
Sundry expenditure	-	(17)	-
	11,733	(4,772)	(12,508)
2010			
Sundry income	140	-	197
Processing fee income	13,481	-	149
property, plant and equipment written off	(90)	-	-
Recovery from agents	-	-	1,002
Bad debt written off	-	(1,975)	-
Impairment losses on:			
Financing receivables	(267)	9	3,815
Trade receivables	-	(3,341)	(4,850)
Realised loss on foreign exchange	(3)	(4)	(3)
Sundry expenditure	-	(12)	-
Provision for diminution in value of investment	-	-	(2,717)
	13,261	(5,323)	(2,407)

24. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Employee benefits expenses (Note (a))	58,419	264	35,718
Directors' remuneration (Note (b))	804	2	63
Auditors' remuneration:			
Statutory audits	226	3	71
Other services	45	-	3
Amortisation of intangible assets (Note 4)	5,455	62	826
Bank and financing charges	4,627	2	4,038
Depreciation of property, plant and equipment (Note 3)	1,226	5	8
Fund management fees	4,173	-	6,895
Other management fees	7	-	5
Professional fees	665	(2)	362
Rental of offices/premises	4,493	4	3,390
Rental of equipment	102	-	49
Agency related expenses	5,581	9	-
Electronic data processing expenses	11,994	58	4,321
Outsourcing services	278	-	61
Postage & stamp duties	2,596	26	1,037
Printing & stationery	2,174	5	1,056
Promotional and marketing cost	6,350	26	11,073
Training expenses	2,682	17	1,774
Utilities, assessment and maintenance	2,105	7	1,378
Travelling expenses	1,629	13	1,386
Other expenses	9,351	19	4,554
	124,982	520	78,068

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24. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Employee benefits expenses (Note (a))	15,293	320	14,557
Directors' remuneration (Note (b))	420	-	2
Auditors' remuneration:			
Statutory audits	66	63	121
Other services	2	3	5
Amortisation of intangible assets (Note 4)	3,054	526	784
Bank and financing charges	3,410	16	5,209
Depreciation of property, plant and equipment (Note 3)	1,514	35	8
Fund management fees	3,920	-	5,795
Other management fees	18,607	-	30,022
Professional fees	471	11	295
Rental of offices/premises	3,907	17	973
Rental of equipment	108	3	87
Agency related expenses	6,210	31	-
Electronic data processing expenses	6,455	90	6,472
Outsourcing services	102	1	-
Postage & stamp duties	1,021	12	2,296
Printing & stationery	1,425	3	1,617
Promotional and marketing cost	7,568	170	15,502
Training expenses	1,769	42	1,335
Utilities, assessment and maintenance	893	17	694
Travelling expenses	1,224	24	1,503
Other expenses	3,706	(571)	4,427
	81,145	813	91,704

(a) Employee benefits expenses

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Wages and salaries	32,460	154	18,731
EPF	5,492	27	2,792
SOCSO	322	2	181
Other benefits expenses	20,145	81	14,014
	58,419	264	35,718

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24. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Wages and salaries	9,997	273	10,431
EPF	1,697	38	1,716
SOCSO	109	3	107
Other benefits expenses	3,490	6	2,303
	15,293	320	14,557

(b) Directors' remuneration

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Executive:			
Salary	105	-	-
Bonus	234	-	-
EPF	56	-	-
Benefits-in-kind	150	-	-
Other remuneration	17	-	-
	562	-	-
Non executive:			
Fees	224	1	44
Other emoluments	18	1	19
	242	2	63
	804	2	63
2010			
Executive:			
Salary	195	-	-
Bonus	16	-	-
EPF	37	-	-
Other remuneration	30	-	-
	278	-	-
Non executive:			
Fees	122	-	-
Other emoluments	20	-	2
	142	-	2
	420	-	2

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24. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration (Cont'd.)

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

	Number of Directors 2011 RM'000	2010 RM'000
Executive directors:		
RM500,001 to RM600,000	1	-
RM200,001 to RM300,000	1	1
Non-executive directors:		
RM50,001 to RM100,000	1	-
Below RM50,000	7	6

(c) The details of remuneration receivable by the Chief Executive Officer (CEO) included in employee benefits expenses during the year are as follows:

	2011 RM'000	2010 RM'000
Salaries	467	275
Bonus	428	50
EPF	150	57
Other emoluments	84	312
	1,129	694

25. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Commission paid	90,695	-	177,382
Wakalah fee expense	-	161,316	44,703
Processing fee expenses	-	-	12,017
Others	-	(542)	12,757
	90,695	160,774	246,859
2010			
Commission paid	67,311	-	195,089
Wakalah fee expense	-	118,418	33,718
Others	-	241	13,356
	67,311	118,659	242,163

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26. TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Malaysian income tax:			
Tax expense for the year	40,876	-	-
Overprovision of tax in prior years	(14,212)	(9,835)	(28,686)
	26,664	(9,835)	(28,686)
Deferred taxation:			
Relating to origination and reversal of temporary differences	2,386	-	-
	29,050	(9,835)	(28,686)
2010			
Malaysian income tax:			
Tax expense for the year	43,843	-	-
Overprovision of tax in prior years	(1,647)	-	-
	42,196	-	-
Deferred taxation:			
Relating to origination and reversal of temporary differences	1,243	-	-
	43,439	-	-

Domestic income tax for the shareholder's fund is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Profit before taxation	107,547	65,532	182,363
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	26,887	16,383	-
Taxation at Malaysian statutory tax rate of 8% (2010: 8%)	-	-	14,589
Income not subject to tax	(7,193)	(328)	(111,526)
Expenses not deductible for tax purposes	5,963	1,097	121,477
Transfer to deferred tax	2,386	-	-
Surplus transferred to shareholders' fund	15,219	(8,576)	(6,643)
Tax borne by participants	-	(8,576)	(17,898)
Overprovision of tax in prior years	(14,212)	(9,835)	(28,686)
	29,050	(9,835)	(28,686)

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26. TAXATION (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Profit before taxation	105,826	90,750	202,177
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	26,456	22,687	-
Taxation at Malaysian statutory tax rate of 8% (2009: 8%)	-	-	16,174
Income not subject to tax	(8,954)	63	(117,497)
Expenses not deductible for tax purposes	4,302	1,356	119,287
Transfer to deferred tax	1,243	-	-
Surplus transferred to shareholders' fund	16,789	(12,053)	(4,736)
Tax borne by participants	-	(12,053)	(13,228)
Overprovision of tax in prior years	(1,647)	-	-
Qardhul Hasan deductible for tax purposes	5,250	-	-
	43,439	-	-

There is no chargeable income for the general and family takaful funds as the adjusted income of each fund has been fully distributed to the shareholder and the participants in accordance with the principles of Shariah.

27. INVESTMENT-LINKED FUND

(a) Statement of financial position

	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
Assets			
Investments (Note (c))	-	321,522	397,805
Financial assets at FVTPL (Note (d))	116,002	-	-
Loans and receivables (Note (e))	4,244	-	-
Other receivables	526	1,066	2,061
Deferred tax assets	124	463	454
Cash and bank balances	13	9	715
Total Investment-linked business assets	120,909	323,060	401,035

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27. INVESTMENT-LINKED FUND (CONT'D.)

(a) Statement of financial position (Cont'd.)

	2011 RM'000	2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
Liabilities			
Deferred tax liabilities	795	1,674	1,492
Other payables (Note (f))	2,164	4,585	7,154
Current tax liabilities	1,070	1,807	1,540
Total Investment-linked business liabilities	4,029	8,066	10,186
Net asset value ("NAV") of funds	**116,880**	**314,994**	**390,849**
Equity unitholders' accounts	**116,880**	**314,994**	**390,849**

(b) Income Statement

	2011 RM'000	2010 RM'000 (Restated)
Units creation	1,219	-
Investment income (Note (g))	3,900	10,772
Realised gains and losses	13,593	2,847
Fair value gains and losses	(6,372)	2,017
Other operating (expenses)/revenue	(1,633)	(1,005)
Other revenue	9,488	14,631
Gross benefits paid	(206,258)	(86,113)
Net benefits and claims	(206,258)	(86,113)
Management expenses	(14)	(12)
Fee and commission expenses	(1,900)	(3,184)
Other expenses	(1,914)	(3,196)
Profit before taxation	(197,465)	(74,678)
Taxation (Note (h))	(649)	(1,177)
Net profit for the year	(198,114)	(75,855)
NAV at beginning of the year	314,994	390,849
NAV at end of the year	116,880	314,994

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27. INVESTMENT-LINKED FUND (CONT'D.)

(c) Investment

	2011 RM'000	2010 RM'000
<u>At market value:</u>		
Other investments:		
Negotiable Islamic certificate of deposits	-	123,267
Unquoted Debt securities in Malaysia	-	81,898
Foreign notes	-	21,037
Islamic investment accounts	-	95,320
	-	321,522

(d) Financial assets at FVTPL

	2011 RM'000	2010 RM'000
<u>At fair value:</u>		
Negotiable Islamic certificate of deposits	50,129	-
Unquoted Debt securities in Malaysia	54,735	-
Foreign notes	11,138	-
	116,002	-

(e) Loan and receivables

	2011 RM'000	2010 RM'000
Islamic investment accounts with licensed banks	4,244	-

27. INVESTMENT-LINKED FUND (CONT'D.)

(f) Other payables

	2011 RM'000	2010 RM'000 (Restated)
Amount due to:		
Shareholder's fund *	226	285
Family takaful fund *	1,904	4,236
Other accruals and payables	34	64
	2,164	4,585

* The amounts due from shareholder's fund and family takaful fund are unsecured, not subject to any interest/profit elements and are repayable on demand.

(g) Investment income

	2011 RM'000	2010 RM'000 (Restated)
Financial assets at FVTPL		
Profit income	3,454	10,099
Dividend income on quoted shares in Malaysia	-	37
LAR:		
Profit income	446	636
	3,900	10,772

(h) Taxation

	2011 RM'000	2010 RM'000
Income tax:		
Current year's provision	1,627	1,016
Deferred tax:		
Relating to origination and reversal of temporary differences	(978)	161
	649	1,177

28. EARNINGS PER SHARE

The basic earnings per share (EPS) is calculated based on the net profit for the financial year divided by the number of ordinary shares in issue during the financial year as follows:

	2011 RM'000	2010 RM'000
Profit attributable to ordinary shareholders	71,804	58,638
Number of shares in issue	100,000	100,000
Basic earnings per share (sen)	71.8	58.6

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

29. OPERATING LEASE COMMITMENTS

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	2011 RM'000	2010 RM'000
Within 1 year	7,996	7,887
After 1 year but not more than 5 years	30,228	30,453
	38,224	38,340

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30. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2011				
Net cash flow generated from/(used in):				
Operating activities	481	(7,520)	(6,201)	(13,240)
Investing activities	(4,720)	(528)	-	(5,248)
	(4,239)	(8,048)	(6,201)	(18,488)
Net decrease in cash and cash equivalents:				
At 1 July	5,404	37,110	26,244	68,758
At 30 June	1,166	29,062	20,042	50,270
	(4,238)	(8,048)	(6,202)	(18,488)
2010				
Net cash flow generated from/(used in):				
Operating activities	17,364	(2,836)	(13,347)	1,181
Investing activities	(15,586)	7,150	(180)	(8,616)
	1,778	4,314	(13,527)	(7,435)
Net increase/(decrease) in cash and cash equivalents:				
At 1 July	3,626	32,796	39,771	76,193
At 30 June	5,404	37,110	26,244	68,758
	1,778	4,314	(13,527)	(7,435)

31. CAPITAL COMMITMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Approved and contracted for:			
Intangible assets	17,379	-	-
2010			
Approved and contracted for:			
Intangible assets	-	-	-

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32. RELATED PARTY DISCLOSURES

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Transactions with the ultimate holding company:			
Profit income	1,641	582	19,270
Gross takaful contribution income	-	-	20,022
Commissions and fees expenses	(37,802)	(2,500)	(2,617)
Transactions with the holding company:			
Gross takaful contribution income	-	-	69
Transactions with fellow subsidiaries within MAHB Group:			
Gross takaful contribution income	-	478	4,198
Rental expense	(6,457)	-	(707)
Management fee	(4,173)	-	(6,895)
Processing fee	105	-	-
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	-	-	653
2010			
Transactions with the ultimate holding company:			
Profit income	1,285	2,484	22,247
Gross takaful contribution income	-	-	82,877
Commissions and fees expenses	(30,793)	(1,621)	(2,462)
Transactions with the holding company:			
Gross takaful contribution income	-	-	23
Transactions with fellow subsidiaries within MAHB Group:			
Gross insurance premium income	-	465	-
Gross takaful contribution income	-	-	2,765
Rental expense	(3,758)	(197)	(110)

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32. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year: (Cont'd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	-	-	2,103
Management fee	(3,920)	-	(5,795)

(i) Included in the statements of financial position of the Company and takaful funds are amounts due from/(to) related companies represented by the following:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2011			
Amount due from/(to) ultimate holding company:			
Bank balances	840	20,975	10,947
Income and profit due and accrued	729	45	6,434
Islamic investment accounts	98,150	84,161	478,544
Other receivables	-	-	-
Other payables	(4,980)	-	-
Amount due to holding company:			
Other payable	(1,656)	-	-
Amount due from/(to) fellow subsidiaries within MAHB Group:			
Other receivables	3,798	-	-
Other payables	(6,728)	-	-
Amount due from other related companies within the MBB Group:			
Other receivables	32	-	-

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32. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year: (Cont'd.):

(i) Included in the statements of financial position of the Company and takaful funds are amounts due from/(to) related companies represented by the following:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
2010			
Amount due from ultimate holding company:			
Bank balances	668	10,496	12,391
Income and profit due and accrued	254	2,379	21,064
Islamic investment accounts	-	135,987	655,130
Other receivables	12	-	-
Amount due to holding company:			
Other payable	(1,106)	-	-
Amount due from/(to) fellow subsidiaries within MAHB Group:			
Other receivables	13,079	-	-
Other payable	(15,401)	-	-
Amount due from other related companies within the MBB Group:			
Other receivables	11	-	-
Islamic investment accounts	66,867	-	-

32. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company are the Executive Director and Chief Executive Officer.

(i) The remuneration of key management personnel compensation during the year was as follows:

	2011 RM'000	2010 RM'000
Short-term employee benefits		
Salaries, allowances and bonuses	1,234	536
Contribution to Employees Provident Fund (EPF)	206	94
Other staff benefits	251	92
Post employment benefits		
Retirement gratuity	-	250
	1,691	972

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

	2011 RM'000	2010 RM'000
At 1 July	-	-
Granted	94	-
At 30 June	94	-

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Note 24.

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33. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines and formalizes the risk management process. It comprises the development, implementation and monitoring of financial and operational strategies for assessing, mitigating, financing and exploiting financial, insurance and operational risks to increase the value of the Company.

It enhances the capabilities to align risk appetite and strategy, link risk with growth and return, make timely risk response decisions, minimize operational surprises and losses, seize opportunities and rationalize capital.

The framework takes into account:

- The Bank Negara Malaysia ("BNM") guidelines regarding the Risk Management Committee ("RMC");
- The existing Risk Management organization within MBB Group;
- The relevant section of the MBB's Group Risk Management Oversight Framework;
- The relevant section of the MBB's Risk Governance and General Risk Management Framework for Credit Risk, Market Risk and Operational Risk;
- The organizational structure of the Company.

The scope of the framework addresses the management of risk policy, governance structure reporting and policy implementation.

Capital Management Objectives, Policies and Approach

The Capital Management Guideline sets a standard policy regarding the levels of capital to be maintained within the Group and the Company. Capital here means risk-bearing capital in the broadest sense.

The guideline will also set parameters for the transfer policy between policyholder funds and shareholder funds, as well as for the dividend policy. If the guideline leads to a conflict with the Malaysian standing regulations, the latter will prevail.

Implementation of this guideline also stabilise the relative surpluses in the different funds and it allows the ALCO to advise on long term strategic asset-mixes by fund. It is clear that if the amount of capital varies in a fund, relative to its liabilities, the risk bearing capacity of the fund changes, and thus the investment mix has to reflect the available buffer for risk of the fund.

Currently, as at 30 June 2011, ETB maintains a minimum capital of RM100 million and the shareholders' equity stood at RM493 million which is in line with the regulatory requirement set by BNM as per BNM/RH/CIR/004-13 Minimum Paid-up Capital requirement for Takaful Operators.

The Capital Management Guideline is reviewable every year. This is to ensure that the guideline is adequate and reflective of market fluctuations. The policies in the guideline are supported by the stress testing exercise conducted at least twice yearly. The stress testing exercise is governed by the requirements set in the BNM stress testing guideline (BNM/RH/GL/004-16).

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33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Capital Management Objectives, Policies and Approach (Cont'd.)

In the near future, the Company will have to align its capital requirement with Capital Adequacy Ratio (CAR) defined in the RBC Takaful Framework issued by Bank Negara Malaysia (BNM).

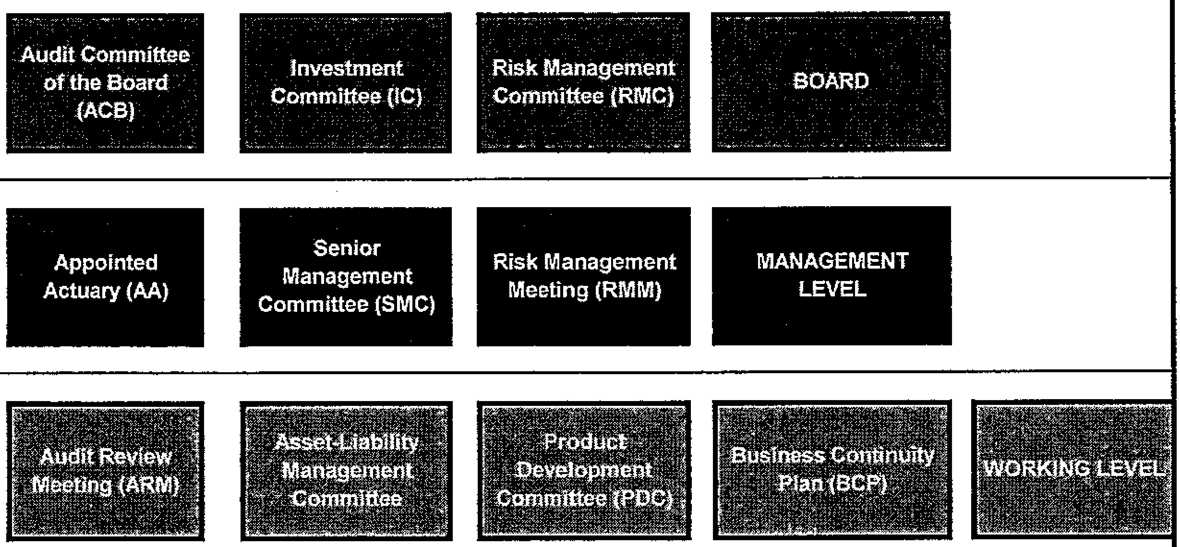
Governance and Regulatory Framework

The governance structure outlines the organizational structure, the hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function.

The Company risk management organization structure involves the Boards of Directors (Board), the Risk Management Committees (Group RMC and RMC) and the Risk Management Meeting (RMM).

The risk management framework comprises three (3) main management layers which are policy making, monitoring and control and risk acceptance.

Governance is emphasised via various levels of committees (Board, Management & Working levels). Each of the committees has its own terms of reference, roles and responsibilities, specific duties and levels of authority.



Asset-Liability Management ("ALM") Framework

The primary objective of the Asset-Liability Management Committee ("ALCO") is to coordinate ongoing controls over the financial/investment risk position of each investment portfolio and the risk liability position of the Company.

The ALCO is authorised to propose policies to the RMC and IC and propose implementation programs of investment activities. The ALCO is also responsible for carrying out Asset Liability Management ("ALM") studies, among other things.

34. UNDERWRITING RISK

(a) Family takaful fund

The table below shows the concentration of family takaful certificate liabilities:

	2011			2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,094,200	-	1,094,200	894,517	-	894,517
Mortgage	2,864,270	(40,937)	2,823,333	2,465,341	(68,848)	2,396,493
Term assurance	41,262	-	41,262	52,408	-	52,408
Annuity	761,264	-	761,264	764,123	-	764,123
Others	281,357	-	281,357	303,618	-	303,618
	5,042,353	(40,937)	5,001,416	4,480,007	(68,848)	4,411,159

(i) Key Assumptions

The family takaful liabilities are recognised when certificates are entered into and contributions are charged.

There are 2 types of reserving required on the family takaful fund, reserving on the risk portion (that is, the Participants' Special Account ("PSA") or the Participants' Risk Fund ("PRF")) and reserving on the invested portion (that is, the Participants' Account ("PA") or the Participants' Investment Fund ("PIF")) . For the PSA/PRF portion, the long term plans are reserved based on the statutory net contribution valuation method using the DGI96 mortality tables for Temporary Mortgage and Family Ordinary and a90 mortality tables for Annuity. The short term plans are reserved at the unexpired contribution method. The PA/PIF liability is based on the accumulation of the PA/PIF at earned rates after profit sharing and tax.

(ii) Sensitivities

Sensitivity analyses are not applicable for ETB under statutory valuation as the method currently prescribed by the regulator is "Net Contribution Valuation"(NCV).

NCV technical details prescribed to all Takaful Operators are the same, making it insensitive towards companies own experience, industry experience or market conditions. The same mortality table and investment rate is prescribed to all the Takaful Operators as if each of these have the same experience. Thus, no sensitivity analysis is to be applied when using NCV for statutory reporting.

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

The table below shows the concentration of contribution by type of contract.

	2011			2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	433,468	(4,385)	429,083	293,392	(6,989)	286,403
Fire	68,922	(24,122)	44,800	76,385	(22,606)	53,779
Marine Cargo, Aviation Cargo & Transit	54,035	(52,111)	1,923	47,989	(46,837)	1,152
Miscellaneous	79,817	(21,155)	58,662	71,750	(19,917)	51,833
	636,241	(101,773)	534,468	489,516	(96,349)	393,167

(i) Key assumptions and methods

The claim liabilities of the general takaful fund are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

The assumptions used in the projection methodologies, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

There has been no change in the estimation methods used since the previous financial year nor have there been any significant changes in key assumptions.

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(ii) Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for general takaful business's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net incurred claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in net incurred claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net liabilities, profit before tax and the participants' fund.

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on participants' fund RM'000
2011					
Case Reserve	+/-10%	37,385	20,673	(20,673)	(15,505)
Incurred but not reported claims	+/-10%	17,617	10,851	(10,851)	(8,138)
Loss ratio	+/- 5%	26,274	22,978	(22,978)	(17,233)
2010					
Case Reserve	+/-10%	28,878	20,538	(20,538)	(15,404)
Incurred but not reported claims	+/-10%	6,427	5,382	(5,382)	(4,037)
Loss ratio	+/- 5%	21,824	17,741	(17,741)	(13,306)

* impact on Equity reflects adjustments for tax, when applicable
The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

(iii) Claims development table

The following tables show the Company estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

Note: The estimated incurred claims prior to 2005 are not available due to a change in the financial year end of the Company in 2005 after its acquisition by Mayban Fortis Holdings Berhad (now known as Mayban Ageas Holdings Berhad). Accordingly, the claim development tables do not provide the details of claim developments prior to 2005.

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34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	As at 30 June 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At the end of accident year		83,734	52,638	137,250	125,788	194,505	241,083	442,564	
1 year later		108,948	121,481	125,196	130,133	216,117	254,229		
2 years later		83,024	117,194	124,884	127,574	215,488			
3 years later		78,665	108,412	120,590	129,418				
4 years later		76,033	105,997	120,898					
5 years later		74,716	107,055						
6 years later		74,277							
Estimate of cumulative claims to date (a)		**74,277**	**107,055**	**120,898**	**129,418**	**215,488**	**254,229**	**442,564**	
At the end of accident year		25,797	34,466	46,155	37,045	55,257	74,418	126,766	
1 year later		56,695	69,406	80,650	80,181	113,987	170,559		
2 years later		65,171	78,178	95,319	92,785	136,633			
3 years later		67,073	85,689	102,004	103,682				
4 years later		68,457	88,368	106,156					
5 years later		69,763	90,425						
6 years later		71,255							
Cumulative claims paid to date (b)		**71,255**	**90,425**	**106,156**	**103,682**	**136,633**	**170,559**	**126,766**	
Gross Claim liabilities (a) - (b)	11,569	3,022	16,630	14,742	25,736	78,855	83,670	315,798	550,022

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	As at 30 June 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At the end of accident year		76,071	98,877	114,831	113,696	158,530	200,363	280,699	
1 year later		68,192	112,866	101,727	111,668	172,887	224,202		
2 years later		68,527	104,995	101,454	111,944	167,168			
3 years later		64,025	98,339	99,737	109,702				
4 years later		61,374	99,861	100,044					
5 years later		60,330	98,336						
6 years later		60,193							
Estimate of cumulative claims to date (a)		**60,193**	**98,336**	**100,044**	**109,702**	**167,168**	**224,202**	**280,699**	
At the end of accident year		27,176	47,103	40,481	35,429	53,473	71,785	113,111	
1 year later		47,029	75,491	68,881	73,572	107,529	157,967		
2 years later		53,387	79,739	80,238	84,073	128,214			
3 years later		54,167	84,625	85,215	93,058				
4 years later		55,204	86,923	88,437					
5 years later		56,464	89,030						
6 years later		57,944							
Cumulative claims paid to date (b)		**57,944**	**89,030**	**88,437**	**93,058**	**128,214**	**157,967**	**113,111**	
Net claim liabilities (a) - (b)	2,659	2,249	9,306	11,607	16,644	38,954	66,235	167,588	315,242

35. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk largely arises from the investment in fixed income instruments, corporate loans and contracts with retakaful counterparties.

However, the main contributor to the credit risk arises from holdings of debt securities (mainly corporate bonds).

The default risk the Company faces is when the counterparties fail to meet contractual payment obligations.

The Company measures and manages credit risk following the philosophy and principles below:
- The Company actively aims to prevent undue concentration by ensuring its credit portfolio is diversified and marketable;
- The Company's asset management research team adopts a prudent position in the selection of fixed income investments;
- The Company establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality;
- The Company uses Key Risk Indicators ("KRI") to alert its impending problems in a timely manner.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position at 30 June 2011. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Unit-linked RM'000	Total RM'000
AFS financial investments					
Equity securities	35,959	142,952	605,590	-	784,501
MGS / GII / MGGB	86,191	281,283	1,665,325	-	2,032,799
Debt securities	57,929	360,183	2,914,959	-	3,333,071
LAR					
Fixed and call deposits	154,094	181,873	1,050,071	4,244	1,390,282
Financial investments at FVTPL					
Debt securities	-	-	-	116,002	116,002
Financing receivables	22,192	1,621	53,486	-	77,299
Retakaful assets	-	300,064	40,937	-	341,001
Takaful receivables	-	105,849	80,272	-	186,121
Other receivables	187,027	10,634	84,708	526	282,895
Cash and bank balances	1,166	29,062	20,042	13	50,283
	544,558	1,413,521	6,515,390	120,785	8,594,254

35. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. This analysis excludes assets of the investment-linked funds as credit risk of these funds are borne by the participants.

Shareholder's fund	Neither past-due nor impaired						
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
AFS financial investments							
Equity securities	-	-	-	-	-	35,959	35,959
MGS / GII / MGGB	-	-	86,191	-	-	-	86,191
Debt securities	57,879	50	-	-	-	-	57,929
LAR							
Fixed and call deposits	153,964	-	130	-	-	-	154,094
Financing receivables	-	-	20,431	-	1,761	-	22,192
Other receivables	-	-	187,027	-	-	-	187,027
Cash and bank balances	1,049	-	117	-	-	-	1,166
	212,892	50	293,896	-	1,761	35,959	544,558

General takaful fund	Neither past-due nor impaired						
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
AFS financial investments:							
Equity securities	-	-	-	-	-	142,952	142,952
MGS / GII / MGGB	-	-	281,283	-	-	-	281,283
Debt securities	357,122	-	3,061	-	-	-	360,183
LAR:							
Fixed and call deposits	180,597	-	1,276	-	-	-	181,873
Financing receivables	-	-	-	-	1,621	-	1,621
Retakaful assets	-	-	234,780	-	-	65,284	300,064
Takaful receivables	-	-	86,591	-	19,258	-	105,849
Other receivables	-	-	10,634	-	-	-	10,634
Cash and bank balances	29,047	-	15	-	-	-	29,062
	566,766	-	617,640	-	20,879	208,236	1,413,521

35. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund	Neither past-due nor impaired: Investment grade: A to AAA RM'000	Neither past-due nor impaired: Non-investment grade: B to BBB RM'000	Neither past-due nor impaired: Not Rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
AFS financial investments:							
Equity securities	-	-	-	-	-	605,590	605,590
MGS / GII / MGGB	-	-	1,665,325	-	-	-	1,665,325
Debt securities	2,878,737	-	36,222	-	-	-	2,914,959
LAR:							
Fixed and call deposits	992,427	-	57,644	-	-	-	1,050,071
Financing receivables	-	-	-	-	53,486	-	53,486
Retakaful assets	-	-	40,937	-	-	-	40,937
Takaful receivables	-	-	46,158	-	34,114	-	80,272
Other receivables	-	-	84,708	-	-	-	84,708
Cash and bank balances	19,427	-	615	-	-	-	20,042
	3,890,591	-	1,931,609	-	87,600	605,590	6,515,390

Investment-linked fund	Neither past-due nor impaired: Investment grade: A to AAA RM'000	Neither past-due nor impaired: Non-investment grade: B to BBB RM'000	Neither past-due nor impaired: Not Rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
Financial investments at FVTPL:							
Debt securities	-	-	-	116,002	-	-	116,002
LAR:							
Fixed and call deposits	-	-	-	4,244	-	-	4,244
Other receivables	-	-	-	526	-	-	526
Cash and bank balances	-	-	-	13	-	-	13
	-	-	-	120,785	-	-	120,785

35. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due But Not impaired

Shareholder's fund

	Past due but not impaired				Past due and impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	1,761	1,761	580	(580)	-	1,761
Takaful receivables	-	-	-	-	16	(16)	-	-
	-	-	1,761	1,761	596	(596)	-	1,761

General takaful fund

	Past due but not impaired				Past due and impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	858	858	4,595	(3,832)	763	1,621
Takaful receivables	11,983	4,994	2,281	19,258	26,531	(26,531)	-	19,258
	11,983	4,994	3,139	20,116	31,126	(30,363)	763	20,879

Family takaful fund

	Past due but not impaired				Past due and impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	21	-	-	21	78,464	(24,999)	53,465	53,486
Takaful receivables	32,933	1,181	-	34,114	15,144	(15,144)	-	34,114
	32,954	1,181	-	34,135	93,608	(40,143)	53,465	87,600

35. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account

The movements in allowance for impairment losses for financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010/ At 30 June 2011	580	16	596

General takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010, as previously stated	3,832	23,462	27,294
Effects of adoption of FRS 4	-	(649)	(649)
At 1 July 2010, as restated	3,832	22,813	26,645
Allowance for impairment loss provided during the year	-	3,718	3,718
At 30 June 2011	3,832	26,531	30,363

Family takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010, as previously stated	22,008	12,497	34,505
Effects of adoption of FRS 4 (Note 2.5)	-	(4,044)	(4,044)
At 1 July 2010, as restated	22,008	8,453	30,461
Allowance for impairment loss provided during the year	2,991	6,691	9,682
At 30 June 2011	24,999	15,144	40,143

35. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk

Liquidity Risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

Liquidity risk management is to safeguard the Company's ability to meet all payments when they come due.

The Company measures and manages the liquidity risk following the philosophy and principles below:
- The Company actively monitors the asset-liability cashflows through the ALCO platform.
- The Company's investment strategies ensure that the investment limits set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificate liabilities and retakaful certificate assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful certificate liabilities.

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as they are no contractual obligations to make payments on those liabilities .

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

Shareholder's fund	**Carrying value RM'000**	**Up to a year* RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Financial investments:						
LAR	154,094	154,094	-	-	-	154,094
AFS	180,079	-	29,404	162,553	35,959	227,916
Financing receivables	22,192	607	3,493	18,092	-	22,192
Other receivables	187,027	10,046	-	-	176,981	187,027
Cash and bank balances	1,166	1,166	-	-	-	1,166
Total assets	544,558	165,913	32,897	180,645	212,940	592,395
Other payables	58,997	51,119	-	-	7,878	58,997
Total liabilities	58,997	51,119	-	-	7,878	58,997

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35. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
LAR	181,873	181,421	452	-	-	181,873
AFS	784,418	147,934	489,791	76,459	142,952	857,136
Financing receivables	1,621	858	-	763	-	1,621
Retakaful assets	234,780	100,784	112,160	21,836	-	234,780
Takaful receivables	105,849	105,849	-	-	-	105,849
Other receivables	10,634	10,634	-	-	-	10,634
Cash and bank balances	29,062	29,062	-	-	-	29,062
Total assets	1,348,237	576,542	602,403	99,058	142,952	1,420,955
Takaful payables	64,691	64,691	-	-	-	64,691
Other payables	211,107	70,374	-	-	140,733	211,107
Claim liabilities	550,022	236,108	262,758	51,156	-	550,022
Total liabilities	825,820	371,173	262,758	51,156	140,733	825,820

Family takaful fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
LAR	1,050,071	1,048,840	1,231	-	-	1,050,071
AFS	5,185,873	172,590	1,602,205	4,256,104	605,590	6,636,489
Financing receivables	53,486	12,813	11,500	29,173	-	53,486
Retakaful assets	40,937	-	3,971	36,966	-	40,937
Takaful receivables	80,272	80,272	-	-	-	80,272
Other receivables	84,708	77,943	-	-	6,765	84,708
Cash and bank balances	20,042	20,042	-	-	-	20,042
Total assets	6,515,389	1,412,500	1,618,907	4,322,243	612,355	7,966,005

35. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund (cont'd.)	**Carrying value RM'000**	**Up to a year* RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Takaful payables	96,535	96,535	-	-	-	96,535
Other payables	160,296	80,596	-	-	79,700	160,296
Takaful certificate liabilities *	5,147,078	5,147,078	-	-	-	5,147,078
Total liabilities	5,403,909	5,324,209	-	-	79,700	5,403,909

* The carry value of the takaful liabilities of the Family Takaful Fund as at 30 June 2011 are based on the Net Contribution Valuation method. Under this method, takaful certificate liabilities are derived as the present value of future liabilities against the present value of the future contribution at the reporting date. Accordingly, all takaful liabilities represent the discounted contractual obligations of the Family Takaful Fund and are classified in the "Up to a year" category.

Investment-linked fund	**Carrying value RM'000**	**Up to a year* RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Financial investments:						
LAR	4,244	2,877	1,367	-	-	4,244
FVTPL	116,002	58,597	61,756	-	-	120,353
Other receivables	526	526	-	-	-	526
Cash and bank balances	13	13	-	-	-	13
Total assets	120,785	62,013	63,123	-	-	125,136
Other payables	2,164	2,164	-	-	-	2,164
Total liabilities	2,164	2,164	-	-	-	2,164

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35. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

The table below summarizes the expected utilisation or settlement of assets:

Shareholder's Fund	**Current* RM'000**	**Non-Current RM'000**	**Total RM'000**
Property and equipment	-	4,678	4,678
Intangible assets	-	12,395	12,395
Financial investments:			
LAR	154,094	-	154,094
AFS	180,079	-	180,079
Financing receivable	1,828	20,364	22,192
Other receivables	10,046	176,981	187,027
Deferred tax assets	145	-	145
Cash and bank balances	1,166	-	1,166
	347,358	214,418	561,776

General takaful fund	**Current* RM'000**	**Non-Current RM'000**	**Total RM'000**
Property and equipment	-	8	8
Intangible assets	-	568	568
Financial investments:			
LAR	181,421	452	181,873
AFS	784,418	-	784,418
Financing receivable	858	763	1,621
Retakaful assets	300,064	-	300,064
Takaful receivables	105,849	-	105,849
Other receivables	10,634	-	10,634
Cash and bank balances	29,064	-	29,064
	1,412,308	1,791	1,414,099

35. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

The table below summarizes the expected utilisation or settlement of assets:

Family takaful fund	**Current* RM'000**	**Non-Current RM'000**	**Total RM'000**
2011			
Property and equipment	-	9	9
Intangible assets	-	1,235	1,235
Financial investments:			
LAR	1,048,840	1,231	1,050,071
AFS	5,185,874	-	5,185,874
Financing receivable	12,813	40,673	53,486
Retakaful assets	40,937	-	40,937
Takaful receivables	80,272	-	80,272
Other receivables	77,943	6,765	84,708
Cash and bank balances	20,042	-	20,042
	6,466,721	49,913	6,516,634

Investment-linked fund	**Unit linked RM'000**	**Total RM'000**
2011		
Financial investments:		
LAR	4,244	4,244
FVTPL	116,002	116,002
Other receivables	526	526
Cash and bank balances	13	13
	120,785	120,785

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35. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of three (3) types of risk:
- foreign exchange rates (Currency risk)
- market interest rates/profit yields (Interest Rate/Profit Yield risk) and
- market prices (Price risk).

The Company has namely three key features in its market risk management practices and policies.

First, a company-wide market risk policy setting out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the Risk Management Committee ("RMC") and exposures and breaches are reported as soon as practicable.

Second, the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking the cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

Third, the strict control over derivative transactions; such transactions are only permitted for hedging purposes and strictly not for speculative purposes.

The Company also issues unit-linked investment policies in a number of its products. In the unit-linked business, the policyholder bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(iv) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local RM) as its insurance and investment contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance and investment contract liabilities are expected to be settled.

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35. FINANCIAL RISKS (CONT'D.)

(iv) Currency Risk (cont'd.)

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

As the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

(v) Profit Yield Risk

Profit yield risks is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax and Equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non linear.

Funds	Changes in variables	30-Jun-11 Impact on Equity/Funds (RM'000)
Shareholder's Fund	+100 basis points	(14,331)
	-100 basis points	14,331
General Takaful Fund	+100 basis points	(14,757)
	-100 basis points	14,757
Family Takaful Fund	+100 basis points	(277,038)
	-100 basis points	277,038
Investment Link Fund	+100 basis points	(275)
	-100 basis points	275

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35. FINANCIAL RISKS (CONT'D.)

(vi) Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant. The correlation of variables will have significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that the movements in these variables are non linear.

Funds	Market Indices	Changes in variables	30-Jun-11 Impact on Equity / Funds (RM'000)
Shareholder's Fund	Bursa Malaysia	+10%	3,596
	Bursa Malaysia	-10%	(3,596)
General Takaful Fund	Bursa Malaysia	+10%	14,295
	Bursa Malaysia	-10%	(14,295)
Family Takaful Fund	Bursa Malaysia	+10%	60,559
	Bursa Malaysia	-10%	(60,559)

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35. FINANCIAL RISKS (CONT'D.)

(vii) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company puts in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to reputation, have legal or regulatory implications and can lead to financial loss.

Operational risk has a wide spectrum and cannot be fully eliminated. However, by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to control risks. Internal controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and evaluation procedures, including the involvement of Internal Audit team.

(vii) Shariah Non-compliance Risk

Shariah Non-Compliance risk refers to possible failure to meet the obligation of Shariah principles. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and finally, impediment from Allah's barakah or blessing. The Company expect to mitigate such risk by intitiating, monitoring and responding to robust Shariah control framework. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Compliance Department in all aspects of the Company's operations. Other relevant controls include staff awareness training and internal operating guidelines, including the use of internal and external Shariah audit.

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the short-term nature of these balances.

(ii) Financing receivables

Financing receivables are granted at profit rate which comparable with the rate offered on similar instrument in the market to counter parties with similar credit profile. Accordingly, the carrying amount of the financing receivables approximate their fair value.

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(n) and 2.2(r). The carrying amounts approximate fair values due to the short-term nature of these balances.

(v) Investments and financial assets

Investments and financial assets as at 30 June 2011 have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(d) and 2.2(e). The carrying amounts and fair values of the investments are disclosed in Note 5 to the financial statements.

37. CONTINGENT LIABILITIES

In 2004, the Company commenced a civil suit against a third party ("the First Defendant") and all the guarantors for the failure to pay two monthly instalments amounting to RM805,288. The First Defendant counter claimed for loss and damage amounting to RM283,621,000 as a result of the Company's alleged failure to release the balance of the facility of RM7.5 million. It is alleged that the First Defendant was unable to carry on with its project and therefore has suffered loss and damage.

The Company's solicitors are of the opinion that the First Defendant bears the burden of proving all allegations against the Company which are contained in the statement of defence and counterclaim. In addition, the First Defendant is obliged to prove, on the balance of probabilities, the loss and damage purportedly suffered as a result of the Company's actions at the material time. The Company's application for Summary Judgment was heard on 14 May 2009 and allowed by the Court. In addition, the Court ordered that the First Defendant's counter claim against the Company be dismissed.

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37. CONTINGENT LIABILITIES (CONT'D.)

The First Defendant then filed a Notice of Motion to the Court of Appeal for stay of execution and to appeal against the decision of KLHC dated 14 May 2009. During the hearing of the application for a stay of execution on 28 October 2009, the Court had dismissed the application with cost.

The First Defendant's appeal against the decision of the Kuala Lumpur High Court dated 14 May 2009 was heard by the Court of Appeal on 4 March, 2010. The Court had allowed the First Defendant's appeal with cost. Thus, the Summary Judgment granted by the High Court on 14 May 2009 was set aside and the striking out of the Defendants' counter-claim was overturned. The Court of Appeal had directed the matter to be set down for full trial.

The full trial concluded on 29 June 2011 and the matter is now fixed for clarification/decision on 21 September 2011.

38. SUBSEQUENT EVENT

On 23 June 2011, the Board of Directors of the ultimate holding company, Malayan Banking Berhad ("MBB") had approved the change in financial year end date from 30 June to 31 December.

The change of financial year end will apply to the Company in order to coincide with the financial year end of the ultimate holding company, MBB. On 11 August 2011, the Board of Directors of the Company had approved the change in the financial year end from 30 June to 31 December, which would be implemented after the close of the financial year ended 30 June 2011. The new financial year will run from 1 July 2011 to 31 December 2011, covering a period of six(6) months. Thereafter, the financial year shall revert to twelve(12) months ending 31 December, of each subsequent year.

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39. COMPARATIVES

Certain comparatives figures in the Statement of Financial Position and Income Statement as at 30 June 2010 have been reclassified to conform with current year's presentation.

Shareholder's Fund

	Previously stated RM'000	Adjustment RM'000	Re-classi- fication RM'000	Restated RM'000
Statement of Financial Position				
Fanancing receivables	17,587	-	3,945	21,532
Other receivables	218,114	325	(3,945)	214,494
Deferred tax liabilities	(2,505)	-	(120)	(2,625)
Deferred tax assets	-	-	120	120
Income Statement				
Wakalah fees:				
General takaful fund	118,418	-	(118,418)	-
Family takaful fund	33,718	-	(33,718)	-
Takaful investment-linked fund	3,184	-	(3,184)	-
Fee and commission income	-	-	155,320	155,320
Commission expenses	(67,311)	-	67,311	-
Fee and commission expenses	-	-	(67,311)	(67,311)
Management expenses	(81,235)	-	90	(81,145)
Other income (net)	14,677	-	(14,677)	-
Realised gains and losses	-	-	1,326	1,326
Other operating revenue	-	-	13,261	13,261

General takaful fund

	Previously stated RM'000	Adjustment RM'000	Re-classi- fication RM'000	Restated RM'000
Statement of Financial Position				
Receivables	87,845	-	(87,845)	-
Takaful receivables	-	649	80,587	81,236
Other receivables	-	-	7,258	7,258
Payable	(213,215)	-	213,215	-
Takaful payables	-	(324)	(68,185)	(68,509)
Other payables	-	-	(145,031)	(145,031)

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39. COMPARATIVES (CONT'D.)

General takaful fund

	Previously stated RM'000	Adjustment RM'000	Re-classi-fication RM'000	Restated RM'000
Statement of Financial Position (Cont'd.)				
Provision for outstanding claims	(259,206)	-	259,206	-
General takaful fund	(409,928)	-	409,928	-
Retakaful assets	-	-	123,280	123,280
Takaful certificate liabilities	-	-	(732,331)	(732,331)
Participants' Fund	-	(325)	(60,082)	(60,407)
Income Statement				
Gross contributions	489,516	-	(489,516)	-
Retakaful	(96,349)	-	96,349	-
(Increase)/decrease in unearned contribution reserves	(38,352)	-	38,352	-
Gross earned contributions	-	-	436,470	436,470
Earned contributions ceded to retakaful	-	-	(81,655)	(81,655)
Net claims incurred	(193,685)	-	193,685	-
Gross benefits and claims paid	-	-	(158,598)	(158,598)
Claims ceded to retakaful	-	-	11,196	11,196
Gross change to certificate liabilities	-	-	(86,756)	(86,756)
Change in certificate liabilities ceded to retakaful	-	-	40,473	40,473
Net commission	19,723	-	(19,723)	-
Wakalah fee	(118,418)	-	118,418	-
Fee and commission expenses	-	-	(118,659)	(118,659)
Fee and commission income	-	-	19,964	19,964
Other income/(expenditure), net	4,974	-	(4,974)	-
(Provision for)/writeback of doubtful debts	(5,956)	-	5,956	-
Realised gains and losses	-	-	4,990	4,990
Other operating revenue/(expenses)	-	649	(5,972)	(5,323)

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39. COMPARATIVES (CONT'D.)

Family takaful fund

	Previously stated RM'000	Adjustment RM'000	Re-classi-fication RM'000	Restated RM'000
Statement of Financial Position				
Receivables	216,307	-	(216,307)	-
Takaful receivables	-	4,044	148,897	152,941
Other receivables	-	-	67,410	67,410
Payables	(266,826)	-	266,826	-
Takaful payables	-	-	(77,149)	(77,149)
Other payables	-	-	(152,993)	(152,993)
Provision for outstanding claims	(87,272)	-	87,272	-
Family takaful fund	(5,021,720)	-	5,021,720	-
Retakaful assets	-	-	68,848	68,848
Takaful certificate liabilities	-	-	(4,567,279)	(4,567,279)
Participants' Fund	-	(4,044)	(647,245)	(651,289)
Income Statement				
Retakaful	(24,136)	-	24,136	-
Earned contributions ceded to retakaful	-	-	(24,136)	(24,136)
Benefit paid and payable:				
Death	(183,479)	-	183,479	-
Maturity	(20,394)	-	20,394	-
Surrender	(131,304)	-	131,304	-
Others	(138,635)	-	138,635	-
Gross benefits and claims paid	-	-	(384,372)	(384,372)
Claims ceded to retakaful	-	-	2,298	2,298
Other income, net	25,663	-	(25,663)	-
Realised gains and losses	-	-	32,053	32,053
Other operating revenue/(expenses)	-	4,044	(6,451)	(2,407)
Net commission and agency expenses	(206,411)	-	206,411	-
Wakalah fee	(33,718)	-	33,718	-
Fee and commission income	-	-	2,097	2,097
Fee and commission expenses	-	-	(242,163)	(242,163)
Surplus before taxation	881,187	4,044	(683,054)	202,177
Gross change to certificate liabilities	-	-	(843,640)	(843,640)
Change in certificate liabilities ceded to retakaful	-	-	68,848	68,848