



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

**Directors' Report and Audited Financial Statements**  
**30 June 2010**

**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 2010.

**PRINCIPAL ACTIVITIES**

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

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

**RESULTS**

	<b>RM'000</b>
Net profit for the year	<u>58,314</u>

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)	(appointed on 2 March 2010)
Damis Jacobus Ziengs (Vice Chairman)	
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	
Dato' Aminuddin bin Md. Desa	
Dato' Johan bin Ariffin	(appointed on 2 March 2010)
Zainal Abidin Jamal	(appointed on 2 March 2010)
Datuk Syed Tamim Ansari bin Syed Mohamed	(resigned on 2 March 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)

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 17 and 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the 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		
	1 July 2009/ Date of Appointment	Bought	30 June 2010
<b>Direct Interest:</b>			
Dato' Mohd Salleh Haji Harun	287,781	-	287,781
Dato' Johan bin Ariffin	-	70,000	70,000

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

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) render 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; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- For the purpose of paragraphs (e)(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 balance sheet and income statement of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

## **CORPORATE GOVERNANCE**

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

### **(a) Board Responsibilities**

In discharging their duties, the Board is equally responsible to ensure compliance with the Takaful Act, 1984 and Bank Negara Malaysia's ("BNM") Guidelines, including 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:

<b>Name</b>	<b>Number of Board meetings Attended</b>	<b>%</b>
Dato' Mohd Salleh Haji Harun (Chairman) (appointed on 2 March 2010)	3/3	100
Damis Jacobus Ziengs (Vice Chairman)	6/6	100
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	5/6	83
Dato' Aminuddin bin Md. Desa	6/6	100
Dato' Johan bin Ariffin (appointed on 2 March 2010)	3/3	100
Zainal Abidin Jamal (appointed on 2 March 2010)	3/3	100
Datuk Syed Tamim Ansari bin Syed Mohamed (resigned on 2 March 2010)	3/3	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 25 to the financial statements.

## **CORPORATE GOVERNANCE (CONT'D.)**

### **(d) Internal Controls and Audit**

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

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

The composition of the AC is as follows:

Sulaiman bin Salleh (Chairman)  
Independent Non-Executive Director

Damis Jacobus Ziengs  
Non-Independent Non-Executive Director

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

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

(resigned on 2 March 2010)

The AC met 6 times during the year.

## **CORPORATE GOVERNANCE (CONT'D.)**

### **(e) Risk Management**

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

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

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

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

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

The composition of the RMC is as follows:

Dato' Johan bin Ariffin (Chairman) Non-Independent Non-Executive Director	(appointed on 5 May 2010)
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Damis Jacobus Ziengs Non-Independent Non-Executive Director	(appointed on 23 September 2009)
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Sulaiman bin Salleh Independent Non-Executive Director	(appointed on 5 May 2010)
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Datuk Syed Tamim Ansari bin Syed Mohamed Independent Non-Executive Director	(resigned on 2 March 2010)
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Petrus Bernardus Gerardus van Harten Non-Independent Non-Executive Director	(resigned on 18 July 2009)
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The RMC met 3 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' Seri Ismail bin Shahudin (Chairman)  
Independent Non-Executive Director

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

Prior to the merger, during the financial year, the Nomination Committee met 9 times while the Remuneration and Establishment Committee met 8 times.

Subsequent to the merger, the NRC met twice during the year.

## **CORPORATE GOVERNANCE (CONT'D.)**

### **(g) Investment Committee**

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

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by the investment 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 MFHB.

The composition of the IC is as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman)  
Non-Independent Non-Executive Director

Sulaiman bin Salleh  
Independent Non-Executive Director

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

Dato' Aminuddin bin Md. Desa  
Chief Executive Officer, MFHB

Hans J. J. De Cuyper  
Chief Financial Officer, MFHB

Mohd Din bin Merican  
Chief Executive Officer, EIB

Ahmad Shahril Azuar Jimin (appointed on 1 January 2010)  
Chief Executive Officer, ETB

Haji Mohd. Tarmidzi bin Ahmad Nordin (retired on 20 October 2009)  
Chief Executive Officer, ETB

The IC met 4 times during the year.

**CORPORATE GOVERNANCE (CONT'D.)**

**(h) Public Accountability**

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

**(i) Financial Reporting**

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

**AUDITORS**

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

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

Dato' Mohd Salleh Haji Harun

Dato' Aminuddin bin Md. Desa

Kuala Lumpur, Malaysia  
12 August 2010

**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 Dato' Aminuddin bin Md. Desa, being two of the directors of Etiqa Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 85 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 provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2010 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

Dato' Aminuddin bin Md. Desa

Kuala Lumpur, Malaysia  
12 August 2010

**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 85 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 12 August 2010

Ahmad Shahril Azuar Jimin

Before me,

Commissioner for Oaths

**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 Dr. Ismail bin Mohd @ Abu Hassan, being members of the Shariah Committee of Etiqa Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the activities of the Company's business for the financial year ended 30 June 2010 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

Dr. Ismail bin Mohd @ Abu Hassan

Kuala Lumpur, Malaysia  
12 August 2010

**266243-D**

**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 balance sheets as at 30 June 2010, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 85.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

**266243-D**

**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 as modified by Bank Negara Malaysia 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 2010 and of its financial performance and cash flows for the year then ended.

**Reporting on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other matters**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
12 August 2010

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

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

**BALANCE SHEET**  
**AS AT 30 JUNE 2010**

	Note	2010 RM'000	2009 RM'000
<b>ASSETS</b>			
<b>Shareholder's fund assets</b>			
Property, plant and equipment	3	3,486	3,179
Intangible assets	4	15,854	5,180
Investments	5	240,170	210,978
Financing receivables	6	17,587	14,088
Receivables	8	218,114	180,445
Cash and bank balances		5,404	3,626
<b>Total shareholder's fund assets</b>		<u>500,615</u>	<u>417,496</u>
<b>Total general takaful fund assets (page 19)</b>		899,765	744,950
<b>Total family takaful fund assets (page 21)</b>		5,425,482	4,429,452
<b>Total takaful investment-linked fund assets</b>	20	<u>323,060</u>	<u>401,035</u>
<b>TOTAL ASSETS</b>		<u><u>7,148,922</u></u>	<u><u>5,992,933</u></u>
<b>EQUITY, TAKAFUL FUNDS AND LIABILITIES</b>			
<b>Equity Attributable to Equity Holder of the Company</b>			
Share capital	9	100,000	100,000
Retained profits		<u>311,652</u>	<u>253,338</u>
<b>Total equity</b>		<u><u>411,652</u></u>	<u><u>353,338</u></u>
<b>Takaful funds</b>			
General takaful fund	10	409,928	342,530
Family takaful fund	11	5,021,720	4,219,922
Takaful investment-linked fund	20	<u>314,994</u>	<u>390,849</u>
<b>Total takaful funds</b>		<u><u>5,746,642</u></u>	<u><u>4,953,301</u></u>

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

**BALANCE SHEET**  
**AS AT 30 JUNE 2010 (CONT'D.)**

	Note	2010 RM'000	2009 RM'000
<b>EQUITY, TAKAFUL FUNDS AND LIABILITIES (CONT'D)</b>			
<b>Shareholder's fund liabilities</b>			
Deferred tax liabilities	7	2,505	1,262
Payables	13	53,281	45,841
Tax payable		<u>33,177</u>	<u>17,055</u>
<b>Total shareholder's fund liabilities</b>		88,963	64,158
<b>Total general takaful fund liabilities (page 19)</b>		489,837	402,420
<b>Total family takaful fund liabilities (page 21)</b>		403,762	209,530
<b>Total takaful investment-linked fund liabilities</b>	20	<u>8,066</u>	<u>10,186</u>
<b>Total liabilities</b>		<u>990,628</u>	<u>686,294</u>
<b>TOTAL EQUITY, TAKAFUL FUNDS AND LIABILITIES</b>		<u>7,148,922</u>	<u>5,992,933</u>

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

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

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 RM'000	2009 RM'000
Operating revenue	14	2,369,819	1,674,643
Shareholder's fund:			
Wakalah fees	14	155,320	106,355
- General takaful fund		118,418	82,307
- Family takaful fund		33,718	20,785
- Takaful Investment-linked fund	20	3,184	3,263
Investment income	16	10,219	6,723
Commission expenses		(67,311)	(44,534)
Management expenses	17	(81,235)	(68,119)
Other income, (net)	18	14,677	12,038
		31,670	12,463
Transfers from takaful revenue accounts :			
- General takaful fund (page 20)		45,051	28,238
- Family takaful fund (page 22)		28,781	50,169
<b>Profit before taxation and zakat</b>		105,502	90,870
Taxation	19	(43,439)	(9,141)
Zakat		(3,749)	(4,033)
<b>Net profit for the year</b>		58,314	77,696
Basic earnings per share (sen)	21	58.3	77.7

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

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

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Attributable to Equity Holder of the Company		
	Share Capital RM'000	Distributable Retained Profits RM'000	Total RM'000
<b>At 1 July 2008</b>	100,000	175,642	275,642
Net profit for the year	-	77,696	77,696
<b>At 1 July 2009</b>	100,000	253,338	353,338
Net profit for the year	-	58,314	58,314
<b>At 30 June 2010</b>	100,000	311,652	411,652

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

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

**GENERAL TAKAFUL FUND BALANCE SHEET**  
**AS AT 30 JUNE 2010**

	<b>Note</b>	<b>2010</b> <b>RM'000</b>	<b>2009</b> <b>RM'000</b>
<b>ASSETS</b>			
Property, plant and equipment	3	13	48
Intangible assets	4	102	7,777
Investments	5	772,999	627,795
Financing receivables	6	1,696	1,774
Receivables	8	87,845	74,760
Cash and bank balances		37,110	32,796
<b>Total general takaful fund assets</b>		<u>899,765</u>	<u>744,950</u>
<b>LIABILITIES</b>			
Provision for outstanding claims	12	259,206	212,923
Payables	13	213,215	175,713
Tax payable		17,416	13,784
<b>Total general takaful fund liabilities</b>		<u>489,837</u>	<u>402,420</u>
<b>General takaful fund</b>	10	<u>409,928</u>	<u>342,530</u>
<b>Total general takaful fund liabilities and takaful fund</b>		<u>899,765</u>	<u>744,950</u>

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

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

**GENERAL TAKAFUL FUND REVENUE ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2010**

Note	Fire		Motor		Marine, aviation and transit ("MAT")		Miscellaneous ("Misc.")		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Operating revenue	14	80,983	63,195	311,049	243,176	50,877	7,552	76,068	59,234	518,977	373,157
Gross contributions		76,385	59,024	293,392	227,127	47,989	7,054	71,750	55,325	489,516	348,530
Retakaful		(22,606)	(24,810)	(6,989)	(5,233)	(46,837)	(3,497)	(19,917)	(16,511)	(96,349)	(50,051)
Net contributions		53,779	34,214	286,403	221,894	1,152	3,557	51,833	38,814	393,167	298,479
(Increase)/decrease in unearned contribution reserves	10	(17,421)	(11,622)	(25,856)	(27,769)	1,844	(1,859)	3,081	(2,284)	(38,352)	(43,534)
Earned contributions		36,358	22,592	260,547	194,125	2,996	1,698	54,914	36,530	354,815	254,945
Net claims incurred	15	(3,079)	(6,010)	(171,853)	(134,327)	(75)	(1,236)	(18,677)	(8,570)	(193,684)	(150,143)
Net commissions		7,975	6,909	(560)	(219)	7,386	505	4,922	3,285	19,723	10,480
Underwriting surplus before wakalah fees and management expenses		41,254	23,491	88,134	59,579	10,307	967	41,159	31,245	180,854	115,282
Wakalah fees										(118,418)	(82,307)
Management expenses	17									(813)	(1,153)
Underwriting surplus										61,623	31,822
Investment income	16									29,461	24,627
Other income/(expenditure), (net)	18									4,974	(3,757)
(Provision for)/writeback of doubtful debts										(5,956)	3,784
Surplus attributable to the Company and participants for the year										90,102	56,476
Surplus attributable to the Company and transferred to Income Statement										(45,051)	(28,238)
Surplus before taxation										45,051	28,238
Taxation	19									-	85
Net surplus attributable to participants for the year										45,051	28,323
Mudharabah paid & payable to participants during the year										(16,005)	(23,771)
Surplus transferred to General Takaful Fund	10									29,046	4,552

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

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

**FAMILY TAKAFUL FUND BALANCE SHEET**  
**AS AT 30 JUNE 2010**

	Note	2010 RM'000	2009 RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	17	25
Intangible assets	4	2,275	2,881
Investments	5	5,123,265	4,186,341
Financing receivables	6	57,374	54,349
Receivables	8	216,307	146,085
Cash and bank balances		26,244	39,771
<b>Family takaful fund assets</b>		<u>5,425,482</u>	<u>4,429,452</u>
Takaful investment-linked fund assets	20	323,060	401,035
<b>Total fund assets</b>		<u>5,748,542</u>	<u>4,830,487</u>
<b>LIABILITIES</b>			
Provision for outstanding claims	12	87,272	41,404
Payables	13	266,826	149,073
Tax payable		49,664	19,053
<b>Family takaful fund liabilities</b>		<u>403,762</u>	<u>209,530</u>
Takaful investment-linked fund liabilities	20	8,066	10,186
<b>Total family takaful fund liabilities</b>		<u>411,828</u>	<u>219,716</u>
Family takaful fund	11	5,021,720	4,219,922
Takaful investment-linked fund	20	314,994	390,849
		<u>5,336,714</u>	<u>4,610,771</u>
<b>Total fund liabilities and takaful funds</b>		<u>5,748,542</u>	<u>4,830,487</u>

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

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

**FAMILY TAKAFUL FUND REVENUE ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 RM'000	2009 RM'000
Operating revenue	14	<u>1,685,303</u>	<u>1,188,408</u>
Gross contributions		1,466,304	1,012,207
Retakaful		<u>(24,136)</u>	<u>(9,065)</u>
Net contributions		1,442,168	1,003,142
Benefits paid and payable:			
Death		(183,479)	(112,276)
Maturity		(20,394)	(6,332)
Surrender		(131,304)	(97,344)
Others		<u>(138,635)</u>	<u>(40,477)</u>
		<u>(473,812)</u>	<u>(256,429)</u>
Net commission and agency expenses		(206,411)	(145,935)
Wakalah fees		(33,718)	(20,785)
Management expenses	17	<u>(91,704)</u>	<u>(73,340)</u>
		<u>(331,833)</u>	<u>(240,060)</u>
Underwriting surplus		636,523	506,653
Investment income	16	218,999	176,201
Other income, (net)	18	25,664	21,783
Surplus before taxation		<u>881,186</u>	<u>704,637</u>
Taxation	19	-	(70)
Surplus for the year		881,186	704,567
Family takaful fund at beginning of year		4,219,922	3,513,703
Mudharabah paid to participants during the year		(29,607)	(5,863)
Surplus transferred to the Income Statement		(28,781)	(50,169)
Qardhul Hasan (paid)/received	8	<u>(21,000)</u>	57,684
Family takaful fund at end of year	11	<u>5,021,720</u>	<u>4,219,922</u>

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 RM'000	2009 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation and zakat		105,502	90,870
Adjustments for:			
Depreciation of property, plant and equipment		1,557	2,949
Amortisation of intangible assets		4,364	3,479
Write off of fixed assets		90	-
Write back for doubtful debts		(9,896)	(740)
Net gain on disposal of investments		(61,471)	(22,526)
Investment income		(258,679)	(169,716)
Net write-back of diminution in value of investments		194	(15,355)
Increase in unearned contribution reserves		38,352	43,534
Increase in general takaful fund		90,102	28,238
Increase in family takaful fund		891,082	657,184
Operating profit before working capital changes		<u>801,199</u>	<u>617,917</u>
Proceeds from disposal of investments		658,150	627,835
Purchase of investments		(1,698,882)	(1,451,477)
Decrease in fund managers assets		-	103,370
Increase in trade receivables		(93,317)	(49,482)
Increase in other receivables		(37,496)	(50,295)
Increase in other payables		109,763	88,578
Increase in financing receivables		(6,445)	(13,742)
Increase in placements of Islamic investment accounts		(11,885)	(114,041)
Increase in provision for outstanding claims		92,151	41,849
		<u>(186,762)</u>	<u>(199,488)</u>
Investment income received		257,168	168,164
Zakat paid		(3,823)	(2,797)
Taxation paid		(19,785)	(15,814)
Taxation refund		-	12,380
Mudharabah paid to participants		(45,616)	(1,301)
Net cash generated/(used in) from operating activities	22	<u>1,181</u>	<u>(38,856)</u>

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)**

	Note	2010 RM'000	2009 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(4,798)	(2,672)
Purchase of property and equipment		(4,068)	(821)
Proceeds from disposal of property and equipment		250	-
Net cash used in investing activities	22	<u>(8,616)</u>	<u>(3,493)</u>
<b>Net decrease in cash and cash equivalents</b>	22	(7,435)	(42,350)
<b>Cash and cash equivalents at beginning of year</b>		76,193	118,543
<b>Cash and cash equivalents at end of year</b>		<u>68,758</u>	<u>76,193</u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances of:			
Shareholder's fund		5,404	3,626
General takaful fund		37,110	32,796
Family takaful fund		26,244	39,771
		<u>68,758</u>	<u>76,193</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2010**

**1. CORPORATE INFORMATION**

The Company is principally engaged in 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 financial year.

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

The holding and ultimate holding companies are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 August 2010.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

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

The Company had adopted all FRSs, Interpretations of the Issues Committee ("IC Interpretations"), Amendments to FRSs and/or IC Interpretations and Technical Releases ("TRs") except for those which have been issued but are not yet effective as described in Note 2.3. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

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

### 2.2 Summary of Significant Accounting Policies

#### (a) General takaful fund

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

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

#### (i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of Shariah. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

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

#### (ii) Unearned contribution reserves

##### Mudharabah

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

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

- earned upon maturity method for bond business;
- 25% method for marine and aviation cargo and transit business; and

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

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

#### (a) General takaful fund (Cont'd.)

##### (ii) Unearned contribution reserves (Cont'd.)

###### Mudharabah

- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions, not exceeding limits specified by BNM as follows:

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

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

###### 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.

##### (iii) Provision for claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims together with related expenses, incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on an actual claims development pattern.

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

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

#### (a) General takaful fund (Cont'd.)

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

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

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

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

#### (b) Family takaful fund

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

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

##### (i) Contribution income

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

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

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

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

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

#### **(b) Family takaful fund (Cont'd.)**

##### **(ii) Provision for claims**

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

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

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

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

##### **(iii) Commission expenses/acquisition costs**

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

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

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

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

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

#### **(b) Family takaful fund (Cont'd.)**

##### **(iv) Creation/cancellation of units**

Creation of units which represents contributions paid by participants 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.

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.

#### **(c) Other revenue recognition**

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

##### **(iii) Wakalah fees**

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

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

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

#### (d) Employee Benefits

##### (i) Short-term benefits

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

##### (ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement and/or revenue account as incurred.

As required by law, the Company makes such contributions to the national pension scheme, the Employees Provident Fund ("EPF").

##### (iii) Share-based compensation

The ultimate holding company's share-based compensation scheme, Maybank Employee Share Options Scheme ("ESOS"), allows the Maybank Group'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 with a corresponding increase within equity as capital contribution from the ultimate holding company over the vesting period and taking into account the probability that the options will vest. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

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

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

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

#### (e) Impairment of Assets

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

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

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

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

#### (f) Property, Plant and Equipment and Depreciation

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

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

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

#### (f) Property, Plant and Equipment and Depreciation (Cont'd.)

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and/or revenue account.

#### (g) Leases

##### (i) Classification

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

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

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

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

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

#### (g) Leases (Cont'd.)

##### (ii) Operating Leases - The Company as Lessee (Cont'd.)

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

#### (h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Amortisation is charged to the income statement and/or revenue accounts.

Intangible assets with 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 of which the asset is not yet in use, it is tested for impairment annually.

##### (ii) Software

The useful lives of computer software and licenses are amortised using the straight line method over their estimated useful lives of 2-5 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

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

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

#### (i) Foreign Currency Transactions

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

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

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

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

#### (j) Income Tax

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

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

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

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

#### (j) Income Tax (Cont'd.)

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

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

#### (k) Zakat

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

#### (l) Cash and Cash Equivalents

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

#### (m) Financial Instruments

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

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

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

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

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

#### (m) Financial Instruments (Cont'd.)

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

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

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

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

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

##### (iii) Quoted investments

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

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

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

The practice of making general provisions for diminution in value has ceased and the balance of provision remaining has been maintained in the balance sheets of the general and family takaful funds, pending further instructions from BNM.

##### (iv) Unquoted investments

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

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

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

#### **(m) Financial Instruments (Cont'd.)**

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

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

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

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and its carrying amounts. Gain or loss on disposal of investment is recognised in the income statements of the investment-linked funds.

#### **(n) Loans and receivables**

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

#### **(o) Payables**

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

#### **(p) Equity instruments**

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

### **2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs, Amendments to FRSs, IC interpretations and TRs**

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

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

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

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

### 2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and IC interpretations and TRs (Cont'd.)

#### Standards and interpretations issued but not yet effective (Cont'd.)

##### 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 2009)
- (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 132 Financial Instruments: Presentation (Classification of Rights Issues)
- (x) Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC interpretation 9: Reassessment of Embedded Derivatives
- (xi) Amendments to FRSs 'Improvements to FRSs (2009)'
- (xii) IC Interpretation 9 Reassessment of Embedded Derivatives
- (xiii) IC Interpretation 10 Interim Financial Reporting and Impairment
- (xiv) IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions
- (xv) IC Interpretation 13 Customer Loyalty Programmes
- (xvi) IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xvii) TR i - 3 Presentation of Financial Statements of Islamic Financial Institutions

##### Effective for financial periods beginning on or after 1 July 2010

- (i) FRS 1: First time Adoption of Financial Reporting Standards (revised 2010)
- (ii) FRS 3: Business Combinations (revised 2010)
- (iii) FRS 127: Consolidated and Separate Financial Statements (revised 2010)
- (iv) Amendments to FRS 2 Share-based Payment
- (v) Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- (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

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

### 2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and IC interpretations (Cont'd.)

#### Standards and interpretations issued but not yet effective (Cont'd.)

#### Effective for financial periods beginning on or after 1 January 2011

- (i) Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- (ii) Amendments to FRS 1 Additional Exemptions for First-time Adopters
- (iii) Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
- (iv) Amendments to FRS 7 Improving Disclosures about Financial Instruments
- (v) IC Interpretation 4 Determining whether an Arrangement contains a Lease
- (vi) IC Interpretation 18 Transfers of Assets from Customers\*
- (vii) TR 3 Guidance of Transition to IFRSs
- (viii) TR i-4: Shariah Disclosures Compliant Sale Contracts

\* This interpretation shall be applied prospectively to transfers of assets from customers received on or after 1 January 2011.

The Company plan to adopt the above pronouncements when they become effective in the respective financial periods. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Company upon their initial application.

#### (i) **FRS 139 Financial Instruments: Recognition and Measurement**

This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. Requirements for presenting and disclosing information about financial instruments are as required under FRS 132: Financial Instruments: Presentation and FRS 7: Financial Instruments - Disclosures.

#### (ii) **FRS 4 Insurance Contracts**

This standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts, including disclosures to assist users of financial statements understand the amounts, timing and uncertainty of future cash flows arising from insurance contracts.

#### (iii) **FRS 7 Financial Instruments: Disclosures**

This standard requires both quantitative and qualitative disclosures in respect of an entity's exposure to financial instruments and related risks. It also requires enhanced disclosures regarding components of its financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

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

### 2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and interpretations (Cont'd.)

#### (iv) *FRS 101 Presentation of Financial Statements (Revised 2009)*

This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content.

The standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity will be presented as a single line, labelled as total comprehensive income. The standard also introduces a statement of comprehensive income, which presents all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

The Company is currently evaluating the format to be adopted. 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 reclassification of items in the financial statements. The adoption of this revised FRS will not have any impact on the financial position and results of the Company.

In accordance with the respective transitional provisions, the Company is exempted from disclosing the possible impact to the financial statements upon the initial application of the above Standards.

### 2.4 Significant Accounting Estimates and Judgements

#### (a) **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 intangible assets**

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

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

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

### 2.4 Significant Accounting Estimates and Judgements (Cont'd.)

#### (a) Key Sources of Estimation Uncertainty (Cont'd.)

##### (ii) 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 balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which actual realisation and settlement occurs.

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.

During the year, the total deferred tax assets recognised in the shareholder's fund amounted to RM2,505,458 (2009: RM1,262,066) as disclosed in Note 7.

##### (iii) Uncertainty in accounting estimates for general takaful business

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

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

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

### **2.4 Significant Accounting Estimates and Judgements (Cont'd.)**

#### **(a) Key Sources of Estimation Uncertainty (Cont'd.)**

##### **(iii) Uncertainty in accounting estimates for general takaful business (Cont'd.)**

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

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

##### **(iv) Uncertainty in accounting estimates for family takaful business**

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

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

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

#### **(b) Critical Judgements made in Applying Accounting Policies**

##### **(i) Impairment of unquoted investments**

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

### 3. PROPERTY, PLANT AND EQUIPMENT

#### Shareholder's fund

	Furniture, fittings, office equipment & renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>				
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	<u>19,845</u>	<u>15,972</u>	<u>589</u>	<u>36,406</u>
<b>Accumulated Depreciation</b>				
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	<u>16,697</u>	<u>15,726</u>	<u>497</u>	<u>32,920</u>
<b>Net Book Value</b>				
At 30 June 2010	<u>3,148</u>	<u>246</u>	<u>92</u>	<u>3,486</u>
<b>Cost</b>				
At 1 July 2008	17,586	15,740	659	33,985
Additions	803	18	-	821
At 30 June 2009	<u>18,389</u>	<u>15,758</u>	<u>659</u>	<u>34,806</u>
<b>Accumulated Depreciation</b>				
At 1 July 2008	13,713	14,573	586	28,872
Charge for the year	1,724	959	72	2,755
At 30 June 2009	<u>15,437</u>	<u>15,532</u>	<u>658</u>	<u>31,627</u>
<b>Net Book Value</b>				
At 30 June 2009	<u>2,952</u>	<u>226</u>	<u>1</u>	<u>3,179</u>

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

	<b>Furniture, fittings, office equipment &amp; renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 2009 / 30 June 2010	579	1,514	2,093
<b>Accumulated Depreciation</b>			
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
<b>Net Book Value</b>			
At 30 June 2010	13	-	13
<b>Cost</b>			
At 1 July 2008	579	1,514	2,093
<b>Accumulated Depreciation</b>			
At 1 July 2008	548	1,423	1,971
Charge for the year	12	62	74
At 30 June 2009	560	1,485	2,045
<b>Net Book Value</b>			
At 30 June 2009	19	29	48

### 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
<b>Cost</b>				
At 1 July 2009	1,838	1,859	102	3,799
Disposals	-	-	(102)	(102)
At 30 June 2010	<u>1,838</u>	<u>1,859</u>	<u>-</u>	<u>3,697</u>
<b>Accumulated Depreciation</b>				
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	<u>1,822</u>	<u>1,858</u>	<u>-</u>	<u>3,680</u>
<b>Net Book Value</b>				
At 30 June 2010	<u>16</u>	<u>1</u>	<u>-</u>	<u>17</u>
<b>Cost</b>				
At 1 July 2008 / 30 June 2009	<u>1,838</u>	<u>1,859</u>	<u>102</u>	<u>3,799</u>
<b>Accumulated Depreciation</b>				
At 1 July 2008	1,709	1,843	102	3,654
Charge for the year	107	13	-	120
At 30 June 2009	<u>1,816</u>	<u>1,856</u>	<u>102</u>	<u>3,774</u>
<b>Net Book Value</b>				
At 30 June 2009	<u>22</u>	<u>3</u>	<u>-</u>	<u>25</u>

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

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

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>
<b>2010</b>			
Furniture, fittings, office equipment and renovations	12,464	556	1,805
Computers and peripherals	15,430	1,514	1,854
Motor vehicles	445	-	-
	<b>28,339</b>	<b>2,070</b>	<b>3,659</b>
<b>2009</b>			
Furniture, fittings, office equipment and renovations	5,950	538	1,805
Computers and peripherals	19,819	12,315	7,591
Motor vehicles	479	-	102
	<b>26,248</b>	<b>12,853</b>	<b>9,498</b>

### 4. INTANGIBLE ASSETS

#### Shareholder's fund

	<b>Software development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 July 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	<b>-</b>	<b>28,863</b>	<b>28,863</b>
<b>Accumulated Amortisation and Impairment</b>			
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	<b>-</b>	<b>13,009</b>	<b>13,009</b>
<b>Net Book Value</b>			
At 30 June 2010	<b>-</b>	<b>15,854</b>	<b>15,854</b>

#### 4. INTANGIBLE ASSETS (CONT'D.)

##### Shareholder's fund (Cont'd.)

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

##### General takaful fund

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

#### 4. INTANGIBLE ASSETS (CONT'D.)

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

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

##### Family takaful fund

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

#### 4. INTANGIBLE ASSETS (CONT'D.)

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

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

#### 5. INVESTMENTS

##### Shareholder's fund

	2010		2009	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Securities of corporations, quoted in Malaysia	<u>17,393</u>	<u>19,016</u>	<u>11,940</u>	<u>12,180</u>
Islamic institutional trusts and property trusts	<u>657</u>	<u>704</u>	<u>245</u>	<u>252</u>
Government Investment Issues	17,176		17,176	
Net amortisation of premiums	(41)		(6)	
	<u>17,135</u>	<u>17,142</u>	<u>17,170</u>	<u>16,805</u>
Corporate bonds	71,980		74,664	
Net accretion of discounts	1,065		197	
	<u>73,045</u>	<u>77,822</u>	<u>74,861</u>	<u>76,543</u>

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

	2010		2009	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Unquoted shares of corporations	230		230	
Malaysian Government guaranteed bonds	60,071		19,649	
Net amortisation of premiums	(1,504)		(1,001)	
	<u>58,567</u>	61,668	<u>18,648</u>	17,816
Islamic Investment Accounts with:				
Licensed banks	73,017		8,709	
Other financial institutions <sup>1</sup>	126		79,175	
	<u>73,143</u>		<u>87,884</u>	
Total investments	<u>240,170</u>		<u>210,978</u>	

<sup>1</sup> Other financial institutions comprise investment banks.

(i) The maturity structure of investments of the shareholder's fund, at cost (excluding securities of corporations and islamic institutional trusts) are as follows:

2010	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
Government Investment					
Issues	-	-	7,245	9,931	17,176
Corporate bonds	-	-	6,061	65,919	71,980
Malaysian Government guaranteed bonds	-	-	-	60,071	60,071
Islamic Investment Accounts	26,858	46,285	-	-	73,143
	<u>26,858</u>	<u>46,285</u>			
<b>2009</b>					
Government Investment					
Issues	-	-	11,986	5,190	17,176
Corporate bonds	6,510	4,964	6,060	57,130	74,664
Malaysian Government guaranteed bonds	-	-	-	19,649	19,649
Islamic Investment Accounts	87,884	-	-	-	87,884
	<u>87,884</u>				

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

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

	2010 %	2009 %
	per annum	per annum
Government Investment Issues	3.86	3.86
Corporate bonds	6.72	6.45
Malaysian Government guaranteed bonds	5.07	3.57
Islamic Investment Accounts	3.13	1.87

**General takaful fund**

	2010		2009	
	Cost	Market/ indicative value	Cost	Market/ indicative value
	RM'000	RM'000	RM'000	RM'000
Securities of corporations, quoted in Malaysia	73,586		37,953	
General provision for diminution in value (Note 2.2 (m) (iii))	(8,672)		(8,672)	
	<u>64,914</u>	86,613	<u>29,281</u>	43,695
Islamic institutional and property trusts	2,781	3,198	1,549	1,668
Government Investment Issues	11,868		7,854	
Net accretion of discounts	163		141	
	<u>12,031</u>	12,262	<u>7,995</u>	8,105
Corporate bonds	323,703		303,746	
Net accretion of discounts	97		503	
	<u>323,800</u>	327,615	<u>304,249</u>	303,987
Malaysian Government guaranteed bonds	116,111		91,078	
Net amortisation of premiums	(4,229)		(3,257)	
	<u>111,882</u>	112,531	<u>87,821</u>	86,612
Khazanah Nasional Berhad ("Khazanah") bonds	-		8,110	
Net accretion of discounts	-		1,802	
	<u>-</u>	-	<u>9,912</u>	9,959

**5. INVESTMENTS (CONT'D.)****General takaful fund (Cont'd.)**

	2010		2009	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Negotiable Islamic Certificate				
Deposits	22,337		25,531	
Net accretion of discounts	3,622		3,132	
	<u>25,959</u>	<u>27,368</u>	<u>28,663</u>	<u>30,263</u>
Islamic Investment Accounts with:				
Licensed banks	201,279		104,470	
Other financial institutions <sup>1</sup>	30,353		53,855	
	<u>231,632</u>		<u>158,325</u>	
Total investments	<u>772,999</u>		<u>627,795</u>	

<sup>1</sup> Other financial institutions comprise investment banks.

(i) The maturity structure of investments of the general takaful fund, at cost (excluding securities of corporations and islamic institutional trusts) is as follows:

2010	< 1 years RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
Government Investment					
Issues	-	745	11,123	-	11,868
Corporate bonds	48,187	135,690	106,106	33,720	323,703
Malaysian Government guaranteed bonds	-	10,014	65,688	40,409	116,111
Negotiable Islamic Certificate Deposits	3,993	11,721	708	5,915	22,337
Islamic Investment Accounts	<u>231,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,632</u>
<b>2009</b>					
Government Investment					
Issues	-	745	2,054	5,055	7,854
Corporate bonds	24,729	96,769	124,404	57,844	303,746
Malaysian Government guaranteed bonds	-	-	50,669	40,409	91,078
Khazanah bonds	8,110	-	-	-	8,110
Negotiable Islamic Certificate Deposits	3,194	3,993	12,429	5,915	25,531
Islamic investment accounts	<u>158,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,325</u>

## 5. INVESTMENTS (CONT'D.)

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

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

	2010 %	2009 %
	per annum	per annum
Government Investment Issues	4.02	4.13
Corporate bonds	4.89	5.06
Malaysian Government guaranteed bonds	3.89	3.97
Khazanah bonds	-	4.10
Negotiable Islamic Certificate Deposits	4.99	4.92
Islamic Investment Accounts	2.69	2.39

### Family takaful fund

	2010		2009	
	Cost	Market/ indicative	Cost	Market/ indicative
	RM'000	value RM'000	RM'000	value RM'000
Securities of corporations quoted in Malaysia	310,912		224,884	
Specific provision for diminution in value (Note 18)	(3,121)		-	
General provision for diminution in value (Note 2.2 (m) (iii))	(45,750)		(45,750)	
	<u>262,041</u>	<u>359,565</u>	<u>179,134</u>	<u>242,762</u>
Islamic institutional trusts and property trusts	53,606	55,118	45,066	45,066
Government Investment Issues	323,148		202,685	
Net accretion of discounts	8,256		6,715	
	<u>331,404</u>	<u>334,091</u>	<u>209,400</u>	<u>208,004</u>
Malaysian Government guaranteed bonds	578,022		486,976	
Net amortisation of premiums	(18,229)		(13,925)	
	<u>559,793</u>	<u>579,483</u>	<u>473,051</u>	<u>473,950</u>
Corporate bonds	2,532,491		1,929,885	
Net accretion of discounts	15,803		11,350	
	<u>2,548,294</u>	<u>2,617,341</u>	<u>1,941,235</u>	<u>1,938,790</u>

**5. INVESTMENTS (CONT'D.)****Family takaful fund (Cont'd.)**

	2010		2009	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Khazanah bonds	267,845		199,540	
Net accretion of discounts	18,872		8,037	
	<u>286,717</u>	289,480	<u>207,577</u>	199,548
Negotiable Islamic Certificate Deposits	126,788		134,883	
Net accretion of discounts	18,398		13,090	
	<u>145,186</u>	154,774	<u>147,973</u>	156,145
Islamic investment accounts with:				
Licensed banks	880,574		720,325	
Other financial institutions <sup>1</sup>	55,650		262,580	
	<u>936,224</u>		<u>982,905</u>	
Total investments	<u>5,123,265</u>		<u>4,186,341</u>	

<sup>1</sup> Other financial institutions comprise investment banks.

(i) The maturity structure of investments of the family takaful fund, at cost (excluding securities of corporations and islamic institutional trusts) is as follows:

2010	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
Government Investment Issues	-	36,690	81,314	205,144	323,148
Malaysian Government guaranteed bonds	-	-	111,817	466,205	578,022
Corporate bonds	65,759	515,295	416,570	1,534,867	2,532,491
Khazanah bonds	-	-	-	267,845	267,845
Negotiable Islamic Certificate Deposits	42,577	24,792	-	59,419	126,788
Islamic Investment Accounts	936,224	-	-	-	936,224

**5. INVESTMENTS (CONT'D.)****Family takaful fund (Cont'd.)**

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

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

	<b>2010 % per annum</b>	<b>2009 % per annum</b>
Government Investment Issues	4.05	3.97
Malaysian Government guaranteed bonds	4.65	4.41
Corporate bonds	5.55	5.70
Khazanah bonds	4.27	4.17
Negotiable Islamic Certificate Deposits	5.00	4.93
Islamic Investment Accounts	2.99	2.60

**6. FINANCING RECEIVABLES**

	<b>Shareholder's fund</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Secured staff loans	17,587	14,088
Receivable:		
Within 12 months	1,840	1,622
After 12 months	15,747	12,466
	17,587	14,088

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

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Secured Al-Bai Bithamin Ajil ("ABBA") loans	5,528	5,614	79,382	80,149
Less: Provision for doubtful debts	(3,832)	(3,840)	(22,008)	(25,800)
	<u>1,696</u>	<u>1,774</u>	<u>57,374</u>	<u>54,349</u>
Receivable:				
Within 12 months	838	842	32,828	28,363
After 12 months	858	932	24,546	25,986
	<u>1,696</u>	<u>1,774</u>	<u>57,374</u>	<u>54,349</u>

The weighted average profit rate of financing receivables at the balance sheet date was 5.7% (2009: 5.7%).

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

	Shareholder's fund	
	2010 RM'000	2009 RM'000
At beginning of year	(1,262)	(1,270)
Recognised in the income statement (Note 19)	(1,243)	8
At end of year	<u>(2,505)</u>	<u>(1,262)</u>

  

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	-	(85)	-	70
Recognised in the revenue accounts (Note 19)	-	85	-	(70)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

As the adjusted income of the general and family takaful funds has been fully distributed to the participants and the shareholder in accordance with the principles of Shariah, there is no chargeable income for the takaful funds.

Accordingly, deferred tax liabilities and/or assets have not been recognised in the general and family takaful funds.

The net deferred tax assets and liabilities shown in the balance sheet have been determined after appropriate offsetting as follows:

	<b>Shareholder's fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Presented after appropriate offsetting as follows:		
Deferred tax assets	120	203
Deferred tax liabilities	(2,625)	(1,465)
	<u>(2,505)</u>	<u>(1,262)</u>

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

### Shareholder's fund

<b>2010</b>	<b>Investments</b>	<b>Accelerated</b>	<b>Total</b>
		<b>capital</b>	
	<b>RM'000</b>	<b>allowances</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
At 1 July 2009	203	(1,465)	(1,262)
Recognised in the income statement	(83)	(1,160)	(1,243)
At 30 June 2010	<u>120</u>	<u>(2,625)</u>	<u>(2,505)</u>
<b>2009</b>			
At 1 July 2008	228	(1,498)	(1,270)
Recognised in the income statement	(25)	33	8
At 30 June 2009	<u>203</u>	<u>(1,465)</u>	<u>(1,262)</u>

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

<b>2010</b>	<b>Investments</b>	<b>Accelerated capital allowances</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2009	-	-	-	-
Recognised in the revenue account	-	-	-	-
At 30 June 2010	-	-	-	-

**2009**

At 1 July 2008	(1,107)	(901)	1,923	(85)
Recognised in the revenue account	1,107	901	(1,923)	85
At 30 June 2009	-	-	-	-

**Family takaful fund**

<b>2010</b>	<b>Investments</b>	<b>Accelerated capital allowances</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2009	-	-	-	-
Recognised in the revenue account	-	-	-	-
At 30 June 2010	-	-	-	-

**2009**

At 1 July 2009	(3,107)	(104)	3,281	70
Recognised in the revenue account	3,107	104	(3,281)	(70)
At 30 June 2009	-	-	-	-

**8. RECEIVABLES**

	<b>Shareholder's Fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Amounts due from :		
General takaful fund*	48,671	65,731
Family takaful fund*	117,220	41,716
Takaful investment-linked fund*	285	601
Investment income due and accrued	2,595	1,763
Qardhul Hasan to family takaful fund **	36,684	57,684
Sundry receivables, deposits and prepayments	12,659	12,950
<b>Total receivables</b>	<b>218,114</b>	<b>180,445</b>

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

\*\* Qardhul Hasan represents a benevolent, profit-free loan to the family takaful fund to be used to make good the actuarial valuation deficit in the group family takaful fund. The amount is unsecured and is repayable out of future surpluses of the group family takaful fund.

	<b>General takaful fund</b>		<b>Family takaful fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables:				
Outstanding contributions	88,843	66,176	160,153	72,093
Due from retakaful operators	7,410	19,747	1,241	1,241
Provision for doubtful debts	(15,666)	(19,472)	(12,497)	(3,604)
	<u>80,587</u>	<u>66,451</u>	<u>148,897</u>	<u>69,730</u>
Amount due from general takaful fund *	-	-	8,291	7,534
Amount due from takaful investment-linked fund *	-	-	4,236	6,469
Other receivables:				
Investment income due and accrued	5,745	6,393	45,988	44,660
Due from stockbrokers	-	-	-	11,684
Tax deducted at source	227	468	947	2,044
Sundry receivables	1,286	1,448	7,948	3,964
	<u>7,258</u>	<u>8,309</u>	<u>67,410</u>	<u>76,355</u>
<b>Total receivables</b>	<b>87,845</b>	<b>74,760</b>	<b>216,307</b>	<b>146,085</b>

\* The amounts due from general and takaful investment-linked funds in the family takaful fund are unsecured, not subject to any profit elements and have no fixed terms of repayment.

**9. SHARE CAPITAL**

	Number of ordinary shares of RM1 each		Amount	
	2010	2009	2010 RM'000	2009 RM'000
<b>Authorised:</b>				
At beginning/end of year	100,000	100,000	100,000	100,000
<b>Issued and fully paid:</b>				
At beginning/end of year	100,000	100,000	100,000	100,000

**10. GENERAL TAKAFUL FUND**

2010	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
<b>Unearned contribution reserves</b>					
Short-term portion:	13,498	95,141	1,983	9,225	119,847
At 1 July 2009					
(Decrease)/increase in reserve	(4,988)	25,856	(1,844)	(386)	18,638
At 30 June 2010	8,510	120,997	139	8,839	138,485
Long-term portion:					
At 1 July 2009	185,346	-	-	6,300	191,646
Increase/(decrease) in reserve	22,409	-	-	(2,695)	19,714
At 30 June 2010	207,755	-	-	3,605	211,360
<b>Total</b>	<b>216,265</b>	<b>120,997</b>	<b>139</b>	<b>12,444</b>	<b>349,845</b>
<b>Revenue account accumulated surplus:</b>					
At 1 July 2009					31,037
Surplus transferred from general takaful fund revenue account					29,046
At 30 June 2010					60,083
<b>General takaful fund at 30 June 2010</b>					<b>409,928</b>

**10. General takaful fund (CONT'D.)**

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

**11. FAMILY TAKAFUL FUND**

Based on the actuarial valuation of the family takaful fund made up to 30 June 2010, the appointed actuary was satisfied that the assets available in the family takaful fund are sufficient to meet its long term liabilities to the participants.

	<b>2010 RM'000</b>	<b>2009 RM'000</b>
At beginning of year	4,219,922	3,513,703
Surplus during the year	822,798	648,535
(Payment)/receipt of Qardhul Hasan (Note 8)	(21,000)	57,684
At end of year	<u>5,021,720</u>	<u>4,219,922</u>
Family takaful fund as at 30 June	5,021,720	4,219,922
Liability to certificate holders as established by actuarial valuation as at 30 June	4,411,158	3,728,104
Unallocated surplus	<u>610,562</u>	<u>491,818</u>

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

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus for the year	881,186	704,637
Taxation for the year	-	(70)
Surplus arising during the year	<u>881,186</u>	<u>704,567</u>
Transfer to Income Statement	(28,781)	(50,169)
	852,405	654,398
Increase in certificate reserves	<u>(683,054)</u>	<u>(555,419)</u>
	169,351	98,979
Unallocated surplus brought forward	<u>491,818</u>	<u>341,018</u>
	661,169	439,997
Profit allocated to participants	(29,607)	(5,863)
(Payment)/receipt of Qardhul Hasan (Note 8)	<u>(21,000)</u>	<u>57,684</u>
Unallocated surplus carried forward	<u>610,562</u>	<u>491,818</u>
Family takaful fund at end of the year:		
Actuarial liabilities	4,411,158	3,728,104
Unallocated surplus	610,562	491,818
	<u>5,021,720</u>	<u>4,219,922</u>

**12. PROVISION FOR OUTSTANDING CLAIMS**

	<b>General takaful fund</b>		<b>Family takaful fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	342,599	259,884	87,272	41,404
Retakaful recoveries	(83,393)	(46,961)	-	-
Net outstanding claims	<u>259,206</u>	<u>212,923</u>	<u>87,272</u>	<u>41,404</u>

**13. PAYABLES**

	<b>Shareholder's fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term accumulating compensated absences	795	1,114
Provision for zakat	4,579	4,653
Amount due to holding company *	1,106	280
Amount due to related companies *	2,298	7,520
Provision for bonus	18,428	18,626
Accrued expenses	18,203	12,154
Sundry payables and accrued liabilities	7,872	1,494
	<u>53,281</u>	<u>45,841</u>

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

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

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables:				
Commission payable	10,198	3,472	67,378	53,123
Amount due to agents, brokers, co-insurers and participants	1,011	2,662	2,969	6,650
Amount due to retakaful operators	57,299	38,953	6,802	3,039
	<u>68,508</u>	<u>45,087</u>	<u>77,149</u>	<u>62,812</u>
Other payables:				
Contribution deposits	38,365	22,586	6,756	8,555
Advance contributions	-	-	17,013	17,656
Amounts due to shareholder's fund *	48,671	65,731	117,220	41,716
Amount due to family takaful fund *	8,291	7,534	-	-
Sundry payables and accrued liabilities	49,380	34,775	48,688	18,334
	<u>144,707</u>	<u>130,626</u>	<u>189,677</u>	<u>86,261</u>
Total payables	<u>213,215</u>	<u>175,713</u>	<u>266,826</u>	<u>149,073</u>

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

**14. OPERATING REVENUE**

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
<b>2010</b>				
Wakalah fees	155,320	-	-	155,320
Gross contributions	-	489,516	1,466,304	1,955,820
Investment income (Note 16)	10,219	29,461	218,999	258,679
	<u>165,539</u>	<u>518,977</u>	<u>1,685,303</u>	<u>2,369,819</u>

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

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

**15. NET CLAIMS INCURRED****General takaful fund****2010**

	Fire RM'000	Motor RM'000	Marine Aviation & Transit RM'000	Misc. RM'000	Total RM'000
Gross claims paid	11,106	131,237	567	15,688	158,598
Retakaful recoveries	(4,027)	(1,572)	(308)	(5,289)	(11,196)
Net claims paid	<u>7,079</u>	<u>129,665</u>	<u>259</u>	<u>10,399</u>	<u>147,402</u>
Outstanding claims:					
At end of year	6,198	214,979	2,023	36,005	259,205
At beginning of year	(10,198)	(172,791)	(2,207)	(27,727)	(212,923)
Net claims incurred	<u>3,079</u>	<u>171,853</u>	<u>75</u>	<u>18,677</u>	<u>193,684</u>

**2009**

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

**16. INVESTMENT INCOME**

	Shareholder's fund	
	2010 RM'000	2009 RM'000
Profits from:		
Government Islamic investments	697	112
Corporate bonds	3,842	3,614
Malaysian Government Guaranteed bonds	3,128	582
Islamic investment accounts	1,415	1,089
Staff loans	599	371
Net accretion of discounts/(amortisation of premiums)	317	(56)
Gross dividend income	535	1,134
Investment expenses	(314)	(123)
	<u>10,219</u>	<u>6,723</u>

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profits from:				
Government Islamic investments	423	239	7,112	1,976
Corporate bonds	15,961	13,451	113,907	96,571
Malaysian Government Guaranteed bonds	4,961	3,533	29,618	21,808
Islamic investment accounts	4,818	2,929	33,005	21,379
ABBA loans	58	71	1,591	2,026
Net accretion of discounts	873	1,810	21,924	16,812
Gross dividend income	2,481	2,717	12,909	16,457
Other investment income	47	-	-	-
Investment expenses	(161)	(123)	(1,067)	(828)
	<u>29,461</u>	<u>24,627</u>	<u>218,999</u>	<u>176,201</u>

**17. MANAGEMENT EXPENSES**

(a) Shareholder's fund	2010 RM'000	2009 RM'000
Staff costs (Note (i)):		
Basic salary	10,192	7,944
EPF	1,734	1,596
SOCSSO	109	77
Bonus, allowances and other staff related costs	3,536	6,037
	<u>15,571</u>	<u>15,654</u>
Non-executive directors' remuneration:		
Fee	75	145
Other emoluments	81	26
Auditors' remuneration:		
Statutory audit	66	84
Others	2	4
Rental of equipment	108	148
Rental of premises	3,907	4,475

**17. MANAGEMENT EXPENSES (CONT'D.)****(a) Shareholder's fund (Cont'd.)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment	770	2,755
Amortisation of intangible assets	2,499	1,485
Amortisation charge from/(to) takaful funds:		
- General takaful fund (Note 17(b))	-	1,289
- Family takaful fund (Note 17(b))	-	(965)
Promotional and marketing cost	7,568	3,848
Professional fees	415	653
EDP Expenses	6,455	9,267
Utilities, assessment and maintenance	893	875
Printing and stationery	1,425	2,639
Postage and stamp duties	1,021	1,835
Agency related expenses	6,210	3,522
Fund management fees	3,920	3,380
Other management fees	18,607	11,874
Write off of property plant and equipment	90	-
Other expenses	11,552	5,126
	<u>65,664</u>	<u>52,464</u>
	<u>81,235</u>	<u>68,119</u>

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

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Basic salaries	273	302
Bonuses	50	70
EPF	57	65
Other emoluments	314	58
	<u>694</u>	<u>495</u>

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

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

**17. MANAGEMENT EXPENSES (CONT'D.)****(b) Takaful funds**

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Staff costs				
Basic salary	273	240	10,431	19,606
EPF	38	46	1,716	4,096
SOCSSO	3	3	107	262
Other staff related costs	6	125	2,303	12,499
	<u>320</u>	<u>415</u>	<u>14,557</u>	<u>36,463</u>
Non-executive directors' remuneration:				
Fees	-	-	-	-
Other emoluments	-	-	2	-
Auditors' remuneration:				
Statutory audit	63	1	121	140
Others	3	2	5	-
Rental of equipment	3	3	87	195
Rental of premises	17	23	973	1,146
Depreciation of property, plant and equipment	8	74	779	120
Amortisation of intangible assets	33	1,346	1,832	649
Amortisation charged (to)/from shareholder's fund (Note 17(a))	-	(1,289)	-	965
Promotional and marketing costs	170	26	15,502	2,440
Utilities, assessment and maintenance	17	12	694	696
Printing and stationery	3	10	1,617	2,532
Postage and stamp duties	12	270	2,296	2,958
Fund management fees	-	-	5,795	5,137
Other management fees	-	-	30,022	627
Agency related expenses	31	11	-	-
EDP expenses	90	28	6,472	4,899
Professional fees	10	7	409	730
Other expenses	33	214	10,541	13,643
	<u>493</u>	<u>738</u>	<u>77,147</u>	<u>36,877</u>
	<u>813</u>	<u>1,153</u>	<u>91,704</u>	<u>73,340</u>

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

	<b>Shareholder's fund</b>			
	<b>2010</b>	<b>2009</b>		
	<b>RM'000</b>	<b>RM'000</b>		
Processing fees	13,481	14,383		
Sundry income	135	35		
	<u>13,616</u>	<u>14,418</u>		
Other expenditure	(265)	(137)		
Net gain/(loss) on disposal of investments	1,326	(2,243)		
	<u>1,061</u>	<u>(2,380)</u>		
	<u>14,677</u>	<u>12,038</u>		
	<b>General takaful fund</b>		<b>Family takaful fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other income:</b>				
Net gain on disposal of investments	4,990	-	32,029	23,956
Write-back of specific provision for diminution in value of investments	-	-	404	-
Sundry income	-	-	431	248
	<u>4,990</u>	<u>-</u>	<u>32,864</u>	<u>24,204</u>
<b>Other expenditure:</b>				
Specific provision for diminution in value of investments	-	-	(3,121)	(2,420)
Provision for doubtful debt	-	-	(4,076)	-
Net loss on disposal of investments	-	(3,672)	-	-
Sundry expenses	(16)	(85)	(3)	(1)
	<u>(16)</u>	<u>(3,757)</u>	<u>(7,200)</u>	<u>(2,421)</u>
	<u>4,974</u>	<u>(3,757)</u>	<u>25,664</u>	<u>21,783</u>

**19. TAXATION**

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 participants and the shareholder in accordance with the principles of Syariah. The distribution is subject to income tax at the prevailing corporate income tax rate of 25% (2009: 25%) at the shareholder's fund level.

**(a) Shareholder's fund**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current year's provision	43,843	7,846
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 7)	1,243	(8)
(Over)/under provision of taxation in prior years	(1,647)	1,303
Tax expense for the year	<u>43,439</u>	<u>9,141</u>

A reconciliation of income tax expense applicable to profit before taxation of the shareholder's fund at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	<b>Shareholder's fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation and zakat	<u>105,502</u>	<u>90,870</u>
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	26,376	22,718
Income subject/(not subject) to tax	7,835	(1,848)
Expenses not deductible for tax purposes	4,382	1,359
Under/(over) provision of deferred tax in prior years	1,243	(8)
(Over)/underprovision of tax	(1,647)	1,303
Qardhul Hasan assessable/(deductible) for tax purposes	5,250	(14,383)
Tax expense for the year	<u>43,439</u>	<u>9,141</u>

**19. TAXATION (CONT'D.)****(b) Takaful funds**

	General takaful fund		Family takaful fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income tax:				
Current year's provision	-	-	-	-
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 7)	-	(85)	-	(70)
Tax expense for the year	-	(85)	-	(70)

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

Due to the changes in the single tier system, any distribution of dividend-in-species in respect of the ordinary shareholdings would be regarded as single tier dividend. The Section 108 accounts and tax exempt account will not be affected. There will be parallel existence of single tier system and imputation system until 31 December 2013.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the tax credit in the Section 108 balance as at 30 June 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2010, the Company has sufficient tax credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

**20. TAKAFUL INVESTMENT-LINKED FUNDS****A. BALANCE SHEETS AS AT 30 JUNE 2010**

	2010 RM'000	2009 RM'000
<b>Assets</b>		
Investments (Note C)	321,522	397,805
Sundry receivables	1,066	2,061
Deferred tax assets	463	454
Cash and bank balances	9	715
<b>Takaful investment-linked fund assets</b>	<b>323,060</b>	<b>401,035</b>

**20. TAKAFUL INVESTMENT-LINKED FUNDS (CONT'D.)****A. BALANCE SHEETS AS AT 30 JUNE 2010 (Cont'd.)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>		
Amount due to shareholder's fund *	285	601
Amount due to family takaful fund *	4,236	6,469
Sundry payables	64	84
Tax payable	1,807	1,540
Deferred tax liabilities	1,674	1,492
<b>Takaful investment-linked fund liabilities</b>	<b>8,066</b>	<b>10,186</b>
<b>Unitholders' investment-linked funds</b>	<b>314,994</b>	<b>390,849</b>
<b>REPRESENTED BY:</b>		
<b>Unitholders' accounts</b>	<b>314,994</b>	<b>390,849</b>

\* The amounts due to shareholder's and family takaful funds are unsecured, not subject to any profit elements and have no fixed terms of repayments.

**B. INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Units created (net)	-	115,469
Profit from investments	10,772	11,046
Other income (Note D)	3,266	9,687
Other outgo (Note E)	(88,716)	(37,569)
Surplus before taxation	(74,678)	98,633
Taxation (Note F)	(1,177)	(1,219)
Surplus for the financial year after taxation	(75,855)	97,414
Takaful investment-linked fund at beginning of the year	390,849	293,435
Takaful investment-linked fund at end of the year	314,994	390,849

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

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Negotiable Islamic Debt Certificates ("NIDC"), at cost	102,014	113,544
Investment fluctuation	21,253	20,181
At market value <sup>1</sup>	<u>123,267</u>	<u>133,725</u>
Unquoted corporate bonds, at cost	81,683	199,430
Investment fluctuation	215	230
At market value <sup>1</sup>	<u>81,898</u>	<u>199,660</u>
Islamic investment accounts with licensed commercial banks	<u>95,320</u>	<u>30,942</u>
Foreign notes, at cost	26,102	41,077
Investment fluctuation	(5,065)	(7,599)
At market value <sup>2</sup>	<u>21,037</u>	<u>33,478</u>
Total investments	<u>321,522</u>	<u>397,805</u>

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

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

(i) The maturity structure of investments of the investment-linked fund, at cost is as follows: □

<b>2010</b>	<b>&lt; 1 year</b>	<b>1 to &lt; 3</b>	<b>3 to</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>5 years</b>	<b>RM'000</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
NIDC	60,201	41,813	-	-	102,014
Unquoted corporate bonds	16,994	54,230	10,459	-	81,683
Foreign Notes	12,958	13,144	-	-	26,102
Islamic investment accounts	<u>95,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,320</u>
<b>2009</b>					
NIDC	-	102,089	11,455	-	113,544
Unquoted corporate bonds	25,085	119,939	54,406	-	199,430
Foreign Notes	-	27,873	13,204	-	41,077
Islamic investment accounts	<u>30,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,942</u>

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

(ii) The weighted average profit rates of profit-bearing investments of the investment-linked fund at 30 June 2010 were as follows:

	<b>2010</b>	<b>2009</b>
	%	%
	<b>per annum</b>	<b>per annum</b>
NIDC	4.51	4.50
Unquoted corporate bonds	4.48	4.67
Islamic Investment Accounts	2.70	1.82

**D. OTHER INCOME**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Gain on disposal of investments	2,002	1,297
Investment fluctuations	1,216	8,318
Others	48	72
	<u>3,266</u>	<u>9,687</u>

**E. OTHER OUTGO**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Benefits paid and payable:		
Death	787	532
Surrender	44,062	26,403
Maturity	41,264	-
Unrealised foreign exchange (gain)/loss	(677)	7,270
Auditors' remuneration:		
Statutory audit	12	12
Others	1	1
Custodian fees	83	88
Wakalah fees	3,184	3,263
	<u>88,716</u>	<u>37,569</u>

**20. INVESTMENT-LINKED FUNDS (CONT'D.)****F. TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current year's provision	1,016	789
Deferred tax:		
Relating to origination and reversal of temporary differences	161	430
Tax expense for the year	<u>1,177</u>	<u>1,219</u>

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

**21. EARNINGS PER SHARE**

The earnings per share has been calculated based on the net profit for the year of RM58,314,000 (2009: RM77,696,000) divided by the number of ordinary shares in issue during the year of 100,000,000 (2009: 100,000,000).

**22. SEGMENT INFORMATION ON CASH FLOW****2010**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Total RM'000</b>
Net cash flow generated/ (used in) from:				
Operating activities	17,364	(2,836)	(13,347)	1,181
Investing activities	(15,586)	7,150	(180)	(8,616)
	<u>1,778</u>	<u>4,314</u>	<u>(13,527)</u>	<u>(7,435)</u>
Net increase/(decrease) in cash and cash equivalents:				
At beginning of year	3,626	32,796	39,771	76,193
At end of year	5,404	37,110	26,244	68,758
	<u>1,778</u>	<u>4,314</u>	<u>(13,527)</u>	<u>(7,435)</u>

**2009**

Net cash flow used in:				
Operating activities	(7,542)	(6,248)	(25,066)	(38,856)
Investing activities	(1,019)	(2,311)	(164)	(3,494)
	<u>(8,561)</u>	<u>(8,559)</u>	<u>(25,230)</u>	<u>(42,350)</u>
Net decrease in cash and cash equivalents:				
At beginning of year	12,187	41,355	65,001	118,543
At end of year	3,626	32,796	39,771	76,193
	<u>(8,561)</u>	<u>(8,559)</u>	<u>(25,230)</u>	<u>(42,350)</u>

**23. CAPITAL COMMITMENTS****(a) Shareholder's funds**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Intangible assets:		
Approved and contracted for	-	271

**(b) Takaful funds**

	<b>General takaful fund</b>		<b>Family takaful fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Intangible assets:				
Approved and contracted for	-	463	-	470

**24. CONTINGENT LIABILITY**

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

The Company's Directors are of the opinion that the certificate benefits payable for the period from 1 May 2002 to 30 April 2003 would be honoured should sufficient documentation be received. Thus, payment of RM785,000 was made on 28 July 2010 as full and final settlement of the legal action in this matter. For the period from 1 May 2003 to 30 April 2004, the Directors are of the opinion that certificate benefits amounting to RM11,281,246 alleged as payable by the Plaintiff are erroneous. The solicitors are of the view that the Company has a good chance of defending this case successfully. These matters relating to the above periods are now fixed for hearing at the High Court from 1 to 2 November 2010 and from 13 to 16 December 2010.

## 25. SIGNIFICANT RELATED PARTY DISCLOSURES

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

### (a) Shareholder's fund

	2010 RM'000	2009 RM'000
Transactions with the ultimate holding company:		
Profit income	1,285	191
Commissions and fees expenses	(30,793)	(22,953)
Transactions with fellow subsidiaries within MFHB Group:		
Rental expense	(3,758)	(3,320)
Transactions with other related companies within the MBB Group:		
Profit income	-	907
Management fee	(3,920)	(3,202)

### (b) General takaful fund

Transactions with the ultimate holding company:		
Commissions and fee expense	(1,621)	(121)
Profit income	2,484	104
Transactions with fellow subsidiaries within MFHB Group:		
Gross insurance premium income	465	-
Rental expenses	(197)	(17)
Transactions with other related companies within the MBB Group:		
Profit income	-	869
Transactions with a director related company:		
Net retakaful contribution on facultative/treaty policies Labuan Reinsurance (L) Ltd.	-	(190)

### (c) Family takaful fund

Transactions with the ultimate holding company:		
Gross takaful contribution income	82,877	49,144
Commissions and fee expense	(2,462)	(1,705)
Profit income	22,247	918
Transactions with the holding company:		
Gross takaful contribution income	23	652
Transactions with fellow subsidiaries within MFHB Group:		
Gross takaful contribution income	2,765	5,662
Rental expenses	(110)	(850)

**25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)****(c) Family takaful fund (Cont'd.)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Transactions with other related companies within the MBB Group:		
Gross takaful contribution income	2,103	277
Profit income	-	6,458
Management fees	(5,795)	(4,867)
	<u>          </u>	<u>          </u>

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

**(i) Shareholder's fund**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from ultimate holding company:		
Bank balances	668	2,307
Income and profits due and accrued	254	20
	<u>          </u>	<u>          </u>
Amount due from/(to) ultimate holding company:		
Other receivables	12	7
Other payable	-	(4,740)
	<u>          </u>	<u>          </u>
Amount due to holding company:		
Other payable	(1,106)	(280)
	<u>          </u>	<u>          </u>
Amount due from/(to) other fellow subsidiaries within the MFHB Group:		
Other receivables	13,079	10,958
Other payable	(15,401)	(13,756)
	<u>          </u>	<u>          </u>
Amount due from other related companies within the MBB Group:		
Islamic Investment Accounts	66,867	79,053
Other receivables	11	11
	<u>          </u>	<u>          </u>

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

<b>(ii) General takaful fund (Cont'd.)</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from ultimate holding company:		
Bank balances	10,496	15,636
Islamic investment accounts	135,987	12,391
Profit due and accrued	<u>2,379</u>	<u>637</u>
Amount due from other related companies within the MBB group:		
Islamic investment accounts	<u>-</u>	<u>89,330</u>
Balances with a director related company:		
Trade payable to Labuan Reinsurance (L) Ltd.	<u>-</u>	<u>(83)</u>
<b>(iii) Family takaful fund</b>		
Amount due from ultimate holding company:		
Bank balances	12,391	13,513
Islamic investment accounts	655,130	657,821
Profit due and accrued	<u>21,064</u>	<u>5,262</u>

**(d) 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. This would include the Chief Executive Officer and the directors of the Company. The remuneration of key management personnel during the year was as follows:

	<b>Shareholder's fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short-term employee benefits</b>		
- Salaries, allowances and bonuses	359	372
- Contribution to Employees Provident Fund (EPF)	57	65
- Other staff benefits	28	58
<b>Share-based payment</b>		
- ESOS expense	-	-
<b>Post employment benefits</b>		
- Retirement gratuity	250	-
	<u>694</u>	<u>495</u>

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

	Shareholder's fund	
	2010 RM'000	2009 RM'000
Non-executive directors' remuneration: (Note 17 (a))		
Fees	75	145
Other emoluments	81	26
	<u>156</u>	<u>171</u>

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

	Shareholder's fund	
	2010 RM'000	2009 RM'000
At 1 July 2009	18	101
Granted	-	12
Rights issues	-	6
Resigned key management personnel	(18)	(101)
At 30 June 2010	<u>-</u>	<u>18</u>

**26. RISK MANAGEMENT POLICIES**

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

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

## **26. RISK MANAGEMENT POLICIES (CONT'D.)**

### **A. Types of risk**

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

#### **(i) Underwriting risk**

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

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

#### **(ii) Financial risk**

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

#### **(iii) Operational risk**

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

## **26. RISK MANAGEMENT POLICIES (CONT'D.)**

### **B. Monitoring and Controlling Risks**

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

#### **(i) Underwriting risk**

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

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

#### **(ii) Financial risk**

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

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

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

### B. Monitoring and Controlling Risks (Cont'd.)

#### (ii) Financial risk (Cont'd.)

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

#### (iii) Operational risk

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

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

### C. Fair Value of Financial Instruments

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

Shareholder's fund	2010		2009	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Securities of corporations quoted in Malaysia	17,393	19,016	11,940	12,180
Islamic institutional and property trusts	657	704	245	252
Government Investment Issues	17,135	17,142	17,170	16,805
Corporate bonds	73,045	77,822	74,861	76,543
Unquoted shares of corporations	230	-	230	-
Malaysian Government guaranteed bonds	58,567	61,668	18,648	17,816

**26. RISK MANAGEMENT POLICIES (CONT'D.)****C. Fair Value of Financial Instruments (Cont'd.)**

<b>General takaful fund</b>	<b>2010</b>		<b>2009</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Securities of corporations quoted in Malaysia	64,914	86,613	29,281	43,695
Islamic institutional trusts and property trusts	2,781	3,198	1,549	1,668
Government Investment Issues	12,031	12,262	7,995	8,105
Corporate bonds	323,800	327,615	304,249	303,987
Malaysian Government guaranteed bonds	111,882	112,531	87,821	86,612
Khazanah bonds	-	-	9,912	9,959
Negotiable Instruments of Deposit	25,959	27,368	28,663	30,263

<b>Family takaful fund</b>	<b>2010</b>		<b>2009</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Securities of corporations quoted in Malaysia	262,041	359,565	179,134	242,762
Islamic institutional trusts	53,606	55,118	45,066	45,066
Government Investment Issues	331,404	334,091	209,400	208,004
Malaysian Government guaranteed bonds	559,793	579,483	473,051	473,950
Corporate bonds	2,548,294	2,617,341	1,941,235	1,938,790
Khazanah bonds	286,717	289,480	207,577	199,548
Negotiable Instruments of Deposit	145,186	154,774	147,973	156,145

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

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

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

## **26. RISK MANAGEMENT POLICIES (CONT'D.)**

### **(ii) Investments**

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

The fair values of Malaysian Government guaranteed bonds, Khazanah bonds and corporate bonds are determined by reference to indicative prices obtained from Bondweb while the fair values of Government Investment Issues and Negotiable Islamic Certificate Deposits are indicative values obtained from BNM and financial institutions.

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