

Financial Statements

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Directors' Report

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

Principal Activities

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries, including those acquired during the year, have been disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year attributable to equity holders of the Company	129,479	131,312

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

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

Issue of Shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM208,908,000 to RM211,866,000 by way of the issuance of 2,958,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employees' Share Option Scheme ("ESOS") at exercise prices of between RM2.84 and RM2.98 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Dividends

The amount of dividends paid by the Company since 31 March 2006 were as follows:

	RM'000
In respect of the financial year ended 31 March 2006 as reported in the directors' report of that year:	
Final dividend of 20% less 28% tax, paid on 24 August 2006	30,375
In respect of the financial year ended 31 March 2007:	
First interim dividend of 15% tax exempt, paid on 26 December 2006	31,730
Second interim dividend of 5% less 27% tax, paid on 30 March 2007	7,733
	<u>69,838</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2007, of 26% less 27% tax on 211,866,000 ordinary shares, amounting to a dividend payable of RM40,212,000 (18.98 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2008.

Provision for Outstanding Claims

Before the income statements and balance sheets of the Group and 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.

Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 May 2003.

The main features of the ESOS are as follows:

- (a) The ESOS would be in force for a period of five years from 25 July 2003, being the date of the confirmation letter by the Adviser to the Securities Commission ("SC") stating that the Company has fulfilled the SC's conditions of approval for the Scheme, that the By-Laws do not contravene the guidelines of the ESOS and that relevant approvals had been obtained, together with a copy of the final ESOS By-Laws to the SC.
- (b) Eligible persons are employees of the Group (including the executive director) who have been confirmed in the employment of the Group ("eligible employee"). The eligibility for participation in the ESOS would be at the discretion of the ESOS Committee appointed by the Board of Directors. In addition, the Audit Committee would review the allocation of the ESOS to ensure compliance with the criteria as stipulated in the ESOS By-Laws.
- (c) The total number of shares to be issued under the ESOS would not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the tenure of the ESOS.
- (d) The option price for each share would be the higher of the five day weighted average market price of the underlying shares at the time the option is granted, with a discount of not more than 10%, or the par value of the shares of the Company of RM1.00.
- (e) No option would be granted for less than 1,000 shares or more than 500,000 shares to any eligible employee.
- (f) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 25 July 2003.
- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

Number of Share Options Under ESOS of RM1.00 each

Offer Date	Exercise price RM	At 1 April 2006	Granted	Exercised	At 31 March 2007
19 August 2003	2.87	1,968,000	–	1,108,000	860,000
24 May 2004	2.84	2,295,000	–	1,604,000	691,000
24 June 2004	2.98	371,000	–	246,000	125,000

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
2007				
April 2006 – March 2007	2.87	3.70 - 4.88	1,108	3,180
	2.84	3.70 - 4.88	1,604	4,555
	2.98	3.70 - 4.88	246	733
			2,958	8,468
Less par value of ordinary shares				(2,958)
Share premium				5,510

Directors' Report

Directors

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

Encik Mohammad bin Abdullah
 Encik Anuar bin Mohd Hassan
 Encik P. Raveenderen
 Y. Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin
 Tuan Haji Yusoff bin Yaacob
 Y. Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor
 Encik Sharkawi bin Alis
 Encik Azhar bin Abdul Wahab
 Tuan Haji Megat Dziauddin bin Megat Mahmud (appointed on 24 August 2006)
 Y. Bhg. Dato' Mohd. Taufik bin Datuk Abdullah (resigned on 27 July 2006)

In accordance with Article 86 of the Articles of Association of the Company, Y. Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin, Tuan Haji Yusoff bin Yaacob and Y. Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 90 of the Articles of Association of the Company, Tuan Haji Megat Dziauddin bin Megat Mahmud retires and, being eligible, offers himself for re-election.

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 those arising from the share options granted under the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 29 and 30 to the financial statements or the fixed salary of and benefits receivable as a full-time employee of the reinsurance subsidiary) by reason of a contract made by the Company with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Interests

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

	Number of Ordinary Shares of RM1.00 Each			31 March 2007
	1 April 2006	Acquired	Sold	
Direct Interest:				
Encik Mohammad bin Abdullah	10,000	–	–	10,000
Encik Anuar bin Mohd Hassan	25,000	400,000	225,000	200,000
Encik P. Raveenderen	10,000	–	–	10,000
Y. Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor	–	5,000	–	5,000

Directors' Interests (Cont'd)

In addition to the above, the following director is deemed to have interest in shares of the Company to the extent of the share options granted to him pursuant to the ESOS of the Company which was implemented on 25 July 2003, as follows:

	Number of Share Options Under ESOS of RM1.00 Each				
	Exercise price RM	At 1 April 2006	Granted	Exercised	At 31 March 2007
Encik Anuar bin Mohd Hassan	2.87	200,000	-	100,000	100,000
	2.84	300,000	-	300,000	-

Other than as stated 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.

Significant Events

The significant events during the financial year are as disclosed in Note 37 to the financial statements.

Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or 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 in respect of the Group or of the Company which has arisen since the end of the financial year.

Other Statutory Information (Cont'd)

- (f) In the opinion of the directors:
- (i) no contingent liability 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 Group or of the Company to meet their obligations when they fall due. For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from reinsurance or takaful contracts underwritten in the normal course of business of the reinsurance and takaful subsidiaries; 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 Group or of the Company for the financial year in which this report is made.

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.

Mohammad bin Abdullah

Anuar bin Mohd Hassan

Kuala Lumpur, Malaysia
28 May 2007

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Mohammad bin Abdullah and Anuar bin Mohd Hassan, being two of the directors of MNRB Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 91 to 157 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Mohammad bin Abdullah

Anuar bin Mohd Hassan

Kuala Lumpur, Malaysia
28 May 2007

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Norazman bin Hashim, being the officer primarily responsible for the financial management of MNRB Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 91 to 157 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 Norazman bin Hashim)
at Kuala Lumpur in Wilayah Persekutuan)
on 28 May 2007.) **Norazman bin Hashim**

Before me,

Soh Ah Kau @ Soh Khoon Poh W315
Commissioner of Oaths

Report of the Auditors

to the Members of MNRB Holdings Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 91 to 157. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

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

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young

AF: 0039

Chartered Accountants

Abdul Rauf bin Rashid

No. 2305/05/08(J)

Partner

Kuala Lumpur, Malaysia

28 May 2007

Balance Sheets

as at 31 March 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
ASSETS					
Property, plant and equipment	3	116,049	116,897	-	-
Investment properties	4	32,400	31,167	-	-
Prepaid land lease payments	5	5,306	5,400	-	-
Intangible assets	6	11,022	5,818	-	-
Deferred tax assets	7	10,587	8,300	-	-
Investments in subsidiaries	8	-	-	580,000	480,000
Investments in associates	9	121,867	123,797	1,957	-
Investments:					
- Deposits and placements with financial institutions	10(a)	387,870	257,538	100,678	76,688
- Other investments	10(b)	875,068	964,480	1,893	60,329
Loan to subsidiary	11	-	-	-	20,000
Loans receivable	12	14,041	14,713	647	691
Receivables	13	126,865	104,824	324	748
Due from subsidiaries	14	-	-	7,912	25
Tax recoverable		198	-	186	-
Cash and bank balances		1,055	1,305	4	10
Total general reinsurance business and shareholders' fund assets		1,702,328	1,634,239	693,601	638,491
General takaful fund assets (page 96)		76,821	54,370	-	-
Family takaful fund assets (page 98)		183,887	83,702	-	-
Total assets		1,963,036	1,772,311	693,601	638,491
LIABILITIES					
Provision for outstanding claims	15	596,261	579,224	-	-
Payables	16	52,061	52,267	1,972	863
Due to subsidiaries	14	-	-	-	121
Provision for taxation		4,298	34,274	-	15,820
Zakat		13	4	-	-
Total general reinsurance business and shareholders' fund liabilities		652,633	665,769	1,972	16,804
General takaful fund liabilities (page 96)		42,442	32,176	-	-
Family takaful fund liabilities (page 98)		28,591	20,806	-	-
Total liabilities		723,666	718,751	1,972	16,804
INSURANCE RESERVES					
Unearned premium reserves	18	241,218	220,667	-	-

Balance Sheets

as at 31 March 2007 (Cont'd)

	Note	Group		Company	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
EQUITY					
Share capital	19	211,866	208,908	211,866	208,908
Reserves		596,611	538,895	479,763	412,779
Total equity attributable to equity holders of the Company		808,477	747,803	691,629	621,687
TAKAFUL FUNDS					
General takaful fund	21	34,379	22,194	-	-
Family takaful fund	23	149,686	62,896	-	-
Investment linked fund		5,610	-	-	-
Total takaful funds		189,675	85,090	-	-
Total liabilities, insurance reserves, equity and takaful funds		1,963,036	1,772,311	693,601	638,491

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

Income Statements

for the year ended 31 March 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	24	835,620	748,694	152,997	9,194
Shareholders' fund:					
AI Wakalah (deficit)/surplus arising from operations of:					
General takaful fund	25	(5,093)	(1,250)	-	-
Family takaful fund	25	8,007	2,071	-	-
Surplus administration charges transferred from takaful fund:					
General takaful fund		1,226	-	-	-
Family takaful fund		1,444	445	-	-
Investment income	26	14,558	11,968	152,256	8,528
Management fees		50	43	741	666
Net other operating (expenses)/income	28	(3,787)	(435)	549	21
Management expenses	29	(5,558)	(6,325)	(3,101)	(3,092)
		10,847	6,517	150,445	6,123
Surplus transferred from General Reinsurance Revenue Account (page 94)					
		124,589	135,485	-	-
Share of profits of associates					
		9,208	11,762	-	-
Profit before zakat and tax		144,644	153,764	150,445	6,123
Zakat		(10)	(7)	-	-
Tax expense	31	(15,155)	(38,574)	(19,133)	(8,270)
Net profit/(loss) for the year attributable to equity holders of the Company		129,479	115,183	131,312	(2,147)
Earnings/(loss) per share attributable to equity holders of the Company (sen):					
Basic	34	61.4	57.5	62.3	(1.1)
Diluted	34	61.3	57.2	62.2	(1.1)

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

General Reinsurance Revenue Account

for the year ended 31 March 2007

Group	Note	Total		Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	24	746,027	681,756								
Gross premium		692,485	632,325	244,502	207,670	192,872	194,838	101,605	84,962	153,506	144,855
Less: Reinsurance		(99,349)	(79,258)	(33,671)	(25,289)	(3,034)	(3,111)	(48,491)	(37,358)	(14,153)	(13,500)
Net premium		593,136	553,067	210,831	182,381	189,838	191,727	53,114	47,604	139,353	131,355
(Increase)/decrease in unearned premium reserves	18	(20,551)	3,214	(14,668)	(6,931)	1,966	7,336	(3,903)	1,059	(3,946)	1,750
Earned premium		572,585	556,281	196,163	175,450	191,804	199,063	49,211	48,663	135,407	133,105
Net claims incurred	27	(323,500)	(295,656)	(110,700)	(89,552)	(132,857)	(140,179)	(25,557)	(14,160)	(54,386)	(51,765)
Net commission		(153,366)	(139,891)	(63,986)	(56,448)	(34,995)	(37,652)	(12,803)	(8,965)	(41,582)	(36,826)
		(476,866)	(435,547)	(174,686)	(146,000)	(167,852)	(177,831)	(38,360)	(23,125)	(95,968)	(88,591)
Underwriting contribution		95,719	120,734	21,477	29,450	23,952	21,232	10,851	25,538	39,439	44,514
Management expenses	29	(41,278)	(39,298)								
Underwriting surplus		54,441	81,436								
Investment income	26	53,542	49,431								
Net other operating income	28	16,293	4,695								
Write-back of/ (provision for) doubtful debts		313	(77)								
Surplus transferred to Income Statement (page 93)		124,589	135,485								

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

Statements of Changes in Equity

for the year ended 31 March 2007

< -----Attributable to Equity Holders of the Company----- >						
< -----Reserves----- >						
< --Non-distributable-- > Distributable						
Group	Note	Share capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	Retained profits RM'000	Total RM'000
At 31 March 2005		202,880	86,067	38,342	349,750	677,039
Exercise of share options		6,028	11,226	-	-	17,254
Profit for the year, representing total recognised income and expenses for the year		-	-	-	115,183	115,183
Dividends	32	-	-	-	(58,742)	(58,742)
Effects of post acquisition foreign exchange translation reserve on investment in associate	9	-	-	(2,931)	-	(2,931)
At 31 March 2006		208,908	97,293	35,411	406,191	747,803
At 31 March 2006		208,908	97,293	35,411	406,191	747,803
Exercise of share options		2,958	5,510	-	-	8,468
Profit for the year, representing total recognised income and expenses for the year		-	-	-	129,479	129,479
Dividends	32	-	-	-	(69,838)	(69,838)
Effects of post acquisition foreign exchange translation reserve on investment in associate	9	-	-	(7,435)	-	(7,435)
At 31 March 2007		211,866	102,803	27,976	465,832	808,477

< -----Reserves----- >					
Non- distributable Distributable					
Company	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 31 March 2005		202,880	86,067	376,375	665,322
Exercise of share options		6,028	11,226	-	17,254
Loss for the year, representing total recognised income and expenses for the year		-	-	(2,147)	(2,147)
Dividends	32	-	-	(58,742)	(58,742)
At 31 March 2006		208,908	97,293	315,486	621,687
At 31 March 2006		208,908	97,293	315,486	621,687
Exercise of share options		2,958	5,510	-	8,468
Profit for the year, representing total recognised income and expenses for the year		-	-	131,312	131,312
Dividends	32	-	-	(69,838)	(69,838)
At 31 March 2007		211,866	102,803	376,960	691,629

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

General Takaful Fund Balance Sheet

as at 31 March 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Investments:			
– Deposits and placements with financial institutions	10(c)	32,256	26,787
– Other investments	10(c)	22,977	16,561
Receivables	13	14,540	9,290
Cash and bank balances		7,048	1,732
Total general takaful fund assets (page 91)		76,821	54,370
LIABILITIES			
Provision for outstanding claims	15	32,349	23,876
Payables	16	7,086	3,669
Due to shareholders' fund	17	3,007	4,631
Total general takaful fund liabilities (page 91)		42,442	32,176
General takaful fund	21	34,379	22,194
Total liabilities and general takaful fund		76,821	54,370

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

General Takaful Revenue Account

for the year ended 31 March 2007

Group	Note	Total		Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross takaful contribution		67,852	54,579	6,589	4,294	53,983	46,727	606	391	6,674	3,167
Less: Retakaful		(7,622)	(4,543)	(3,332)	(2,244)	(1,582)	(1,078)	(447)	(53)	(2,261)	(1,168)
Net takaful contribution		60,230	50,036	3,257	2,050	52,401	45,649	159	338	4,413	1,999
(Increase)/decrease in unearned contributions reserve	22	(10,101)	(7,989)	(2,253)	230	(5,401)	(8,195)	(44)	(166)	(2,403)	142
Earned contribution		50,129	42,047	1,004	2,280	47,000	37,454	115	172	2,010	2,141
Net claims incurred	27	(31,008)	(27,368)	(1,158)	(1,116)	(28,281)	(25,321)	(44)	(140)	(1,525)	(791)
Commission on retakaful ceded		1,047	528	607	361	11	6	18	5	411	156
		(29,961)	(26,840)	(551)	(755)	(28,270)	(25,315)	(26)	(135)	(1,114)	(635)
Underwriting contribution		20,168	15,207	453	1,525	18,730	12,139	89	37	896	1,506
Al Wakalah fees	25	(18,136)	(16,707)								
Underwriting surplus/(deficit)		2,032	(1,500)								
Investment income		1,898	666								
Provision for doubtful debts		(314)	(1,053)								
Net other operating expenses	28	(212)	(319)								
Taxation	31	-	-								
Surplus administration charges transferred to shareholders' fund		(1,226)	-								
Surplus/(deficit) transferred to general takaful fund	21	2,178	(2,206)								

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

Family Takaful Fund Balance Sheet

as at 31 March 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Investments			
– Deposits and placements with financial institutions	10(d)	93,652	41,490
– Other investments	10(d)	59,644	30,928
Receivables	13	19,736	9,505
Cash and bank balances		4,908	1,779
Investment linked business assets		5,947	–
Total family takaful fund assets (page 91)		183,887	83,702
LIABILITIES			
Provision for outstanding claims	15	5,767	3,588
Payables	16	10,836	4,849
Due to shareholders' fund	17	11,651	12,369
Investment linked business liabilities		337	–
Total family takaful fund liabilities (page 91)		28,591	20,806
Family takaful fund	23	149,686	62,896
Investment linked fund		5,610	–
Total family takaful fund		155,296	62,896
Total liabilities and family takaful fund		183,887	83,702

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

Family Takaful Revenue Account

as at 31 March 2007

	Note	2007 RM'000	2006 RM'000
Gross takaful contribution		156,054	92,114
Retakaful		(1,518)	(488)
Net takaful contribution		154,536	91,626
Benefits paid and payable:			
Death		(6,748)	(6,022)
Surrender		(780)	(156)
Medical		(2,990)	(1,044)
Others		(1,696)	(1,021)
AI Wakalah fees	25	(56,832)	(38,220)
Underwriting surplus		85,490	45,163
Investment income		3,490	1,055
Write-back of/(provision for) doubtful debts		107	(300)
Net other operating expenses	28	(853)	(356)
Surplus before taxation		88,234	45,562
Taxation	31	-	-
Surplus for the year		88,234	45,562
Surplus administration charges transferred to shareholders' fund		(1,444)	(445)
		86,790	45,117
Family takaful fund at beginning of year		62,896	18,645
Decrease in Qardhul Hasan		-	(866)
Family takaful fund at end of year	23	149,686	62,896

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

Cash Flow Statements

for the year ended 31 March 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash Flows from Operating Activities				
Profit before zakat and tax	144,644	153,764	150,445	6,123
Adjustments for:				
Write-back of provision for diminution in value of investments	(325)	(852)	-	-
Provision for diminution in value of investments	4,336	1,097	-	-
Impairment loss on investment in unquoted shares	-	4,759	-	-
Write-back of provision for bad and doubtful debts	(313)	-	-	-
Provision for bad and doubtful debts	207	1,430	-	-
Depreciation	4,809	3,275	-	-
Amortisation	937	1,506	-	-
Gain on fair value adjustments	(1,233)	-	-	-
Property, plant and equipment written off	103	114	-	-
Gain on disposal of property, plant and equipment	(22)	(45)	-	-
Increase/(decrease) in unearned premium reserves	20,551	(3,214)	-	-
Increase in unearned contribution reserves	10,101	7,989	-	-
(Increase)/decrease in placements with licensed financial institutions	(36,881)	252,990	75,766	398,219
Decrease/(increase) in marketable securities	24,496	(156,728)	33,334	113,644
Interest income	(37,233)	(35,473)	(4,285)	(4,779)
Investment income from Islamic investment accounts	(7,137)	(4,097)	(508)	-
Dividend income	(13,759)	(14,736)	(147,437)	(3,647)
Rental income	(11,195)	(9,903)	-	-
Gain on disposal of investments	(15,270)	(9,789)	(531)	-
Purchase of other investments	(237,970)	(1,444,706)	(979)	(26,080)
Proceeds from disposal of investments	331,897	1,290,727	26,611	705,218
Increase in placements in Islamic investment accounts	(149,056)	(27,505)	(99,756)	-
Increase in Islamic papers	(56,948)	(41,829)	-	-
Share of profits of associate	(9,208)	(11,762)	-	-
Results of general takaful fund	2,178	(2,206)	-	-
Results of family takaful fund	86,790	45,117	-	-
Results of net investment-linked assets	5,610	-	-	-
Profit/(loss) from operations before changes in operating assets and liabilities	60,109	(77)	32,660	1,188,698
Unearned premium reserve transferred to subsidiary	-	-	-	(223,881)
Property, plant and equipment transferred to subsidiary	-	-	-	3,481
Shares issued by subsidiary as part settlement for net assets transferred	-	-	-	(380,000)
Decrease/(increase) in loan to subsidiary	-	-	20,000	(20,000)
Decrease in loans receivable	672	2,179	44	15,103
(Increase)/decrease in amount due from brokers and ceding companies	(18,101)	(994)	-	75,772
(Increase)/decrease in other receivables, deposits and prepayments	(18,493)	(5,181)	288	3,572
Net change in balances with subsidiaries	-	-	(1,150)	171
Increase/(decrease) in provision for outstanding claims	27,690	2,985	-	(593,830)
(Decrease)/increase in amount due to brokers and retrocessionaires	(1,860)	9,075	-	(26,959)
Increase/(decrease) in other payables and accruals	6,255	5,983	331	(8,517)
	56,272	13,970	52,173	33,610

Cash Flow Statements

for the year ended 31 March 2007 (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash Flows from Operating Activities (Cont'd)				
Taxes and zakat paid	(42,840)	(26,592)	(843)	(9,327)
Interest received	36,912	35,347	4,546	11,285
Investment income received from Islamic investment accounts	6,037	3,957	384	–
Hibah paid to participants	(94)	–	–	–
Dividend received	16,466	13,094	107,061	3,530
Rental received	8,912	9,703	–	303
Net cash generated from operating activities (Note 33)	81,665	49,479	163,321	39,401
Cash Flows from Investing Activities				
Subscription of shares in subsidiary	–	–	(100,000)	–
Investment in associate	(1,957)	–	(1,957)	–
Purchase of property, plant and equipment	(4,063)	(7,510)	–	–
Purchase of intangible assets	(6,102)	(1,229)	–	–
Proceeds from disposal of property, plant and equipment	22	163	–	–
Net cash used in investing activities (Note 33)	(12,100)	(8,576)	(101,957)	–
Cash Flow from Financing Activities				
Proceeds from issuance of share capital	8,468	17,254	8,468	17,254
Dividends paid	(69,838)	(58,742)	(69,838)	(58,742)
Net cash used in financing activities (Note 33)	(61,370)	(41,488)	(61,370)	(41,488)
Cash and Bank Balances				
Net increase/(decrease) during the year (Note 33)	8,195	(585)	(6)	(2,087)
At beginning of year	4,816	5,401	10	2,097
At end of year	13,011	4,816	4	10
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' fund	230	101	4	10
General reinsurance business	825	1,204	–	–
General takaful fund	7,048	1,732	–	–
Family takaful fund	4,908	1,779	–	–
	13,011	4,816	4	10

Note: There are no usage restrictions placed on the cash and bank balances of the Group and of the Company.

Notes to the Financial Statements

– 31 March 2007

1. Corporate Information

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries, including those acquired during the year have been disclosed in Note 8 to the financial statements. There have not been any significant changes in the nature of the principal activities of the Group during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 530 and 11 (2006: 458 and 11) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May 2007.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements comply with the provision of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs that are effective for accounting periods beginning on or after 1 January 2006 or available for early adoption as disclosed in Note 2.26 to the financial statements.

The financial statements of the Group also comply with the Insurance Act and Regulations, 1996, the Takaful Act, 1984 and the Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") and where applicable, modified to comply with the principles of Shariah.

The general reinsurance business assets and liabilities relate to both the general reinsurance business and shareholders' fund.

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

2.2 Accounting Period

For the general reinsurance business, the Group adopts quarterly accounting periods ending on 31 March, 30 June, 30 September and 31 December, insofar as the underwriting income and outgo for Market Cessions business is concerned. This is to correspond with the ceding companies' accounting periods.

Underwriting income and outgo in respect of other business classes and all other income and expenditure are for the 12 months ended 31 March 2007.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.3 Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is a company in which the Group has equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The subsidiary companies are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of the subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(ii) Associates

Associates are entities in which the Group has equity interest and where it exercises significant influence through management participation. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of profit or loss of the associate is recognised in the consolidated income statement. The Group's interest in the associate is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless costs cannot be recovered.

2.4 Investments in Subsidiaries and Associate

The Company's investments in subsidiaries and associate are stated at cost less impairment losses.

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

2.5 General Reinsurance Underwriting Results

The general reinsurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and net claims incurred.

(i) Premium Recognition

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of statements received from ceding insurers.

(ii) Unearned Premium Reserves

The Unearned Premium Reserves ("UPR") represent the portion of the net premiums of reinsurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining the UPR at balance sheet date, the method that most accurately reflects the actual liability is used, less commissions not exceeding the permitted deductions, as specified by BNM. UPR is computed using the 1/8th method with a deduction of 20% for all classes of business.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.5 General Reinsurance Underwriting Results (Cont'd)

(iii) Provision for Outstanding Claims

Liabilities for outstanding claims are recognised as advised by the ceding companies. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less 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 balance sheet date, based on an actuarial estimation by a qualified actuary, using a mathematical method of estimation.

(iv) Acquisition Cost

The cost of acquiring and renewing reinsurance business net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.6 General Takaful Fund

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

Surplus is distributable to participants in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary. The general takaful surplus is determined after deducting retakaful, commissions, unearned contribution reserves and net claims incurred.

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

(i) Takaful Contribution Income

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

(ii) Unearned Contribution Reserves

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

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

Motor	10%
Fire	15%
Miscellaneous	20%

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

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.6 General Takaful Fund (Cont'd)

(iii) Provision for Outstanding Claims

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

Provision is also made for the cost of IBNR claims at balance sheet date based on market claims ratios for each class of business.

(iv) Commission Expenses

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

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

2.7 Family Takaful Fund

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

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a loan or Qardhul Hasan. Surplus distributable to participants is determined after deducting net claims incurred, retakaful, provisions, reserves and commissions. The surplus may be distributed to participants in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary.

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

(i) Takaful Contribution Income

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

(ii) Provision for Outstanding Claims

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

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

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

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.7 Family Takaful Fund (Cont'd)

(iii) Commission expenses

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

2.8 Property, Plant and Equipment and Depreciation

(i) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Only assets costing above RM300 will be capitalised. Assets costing RM300 and below are charged to the income statement in the year of purchase.

Assets costing more than RM300 up to a maximum of RM3,000 are written down to RM1.00 in the year of purchase. The write down is charged to the income statement as depreciation.

On disposal of property, plant and equipment, the difference between net proceeds and the carrying amount is recognised in the income statement/general reinsurance revenue account and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Leased properties are depreciated over the shorter of the lease term and their useful life.

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

Computer equipment	33 $\frac{1}{3}$ %
Office equipment	15%
Furniture and fittings	15%
Motor vehicles	20%

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

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.9 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains and losses arising from change in the fair values of investment properties are recognised in income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.10 Leasehold Land and Prepaid Land Lease Payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

2.11 Intangible Assets

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

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

Amortisation is charged to the income statement/revenue account.

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

Software development in progress

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 assets is not yet in use it is tested for impairment annually.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.11 Intangible Assets (Cont'd)

Computer software and licences

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

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

2.12 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 income statement and/or revenue account in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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

2.13 Receivables

Known bad debts are written off. Specific provisions are made for any premiums including brokers', reinsurance, agents' and retakaful balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

2.14 Investments

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

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

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.14 Investments (Cont'd)

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a straight-line basis, from the date of purchase to maturity dates. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

Golf club memberships are stated at cost less provision for any impairment in value. Such provision is made when there is a decline other than temporary in the value of the golf club memberships and is recognised as an expense in the period in which the decline occurred. On disposal of golf club memberships, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement and/or revenue accounts.

Unquoted and other investments are stated at cost less provision for any impairment losses.

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

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

2.15 Other Revenue Recognition

- (i) Interest income on loans are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on receipt basis until all arrears have been paid.
- (ii) Interest income on corporate debt securities is recognised on a time proportion basis that reflects the effective yield on the asset except where an event of default on interest payment has occurred, and the said interest remains outstanding for a period of more than six months. In such a case, the recognition of interest will be suspended. Subsequent to suspension, interest is recognised on receipt basis until all arrears have been paid.
- (iii) Other interest income and investment income on Islamic investments are recognised on a time proportion basis that reflects the effective yield on the asset.
- (iv) Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for a period of more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on receipt basis until all arrears have been paid.
- (v) Dividend income is recognised when the right to receive payment is established.

2.16 Al Wakalah Surplus/Deficit

Commission and management expenses are borne by the family takaful and general takaful funds in their respective revenue accounts at an agreed percentage or according to the actual expenses incurred by the respective funds. This is accordance with the principle of Al Wakalah as approved by the takaful subsidiary's Shariah Committee and is as agreed between the participants and the takaful subsidiary. Any surplus/deficit arising after deducting Al Wakalah fees to be paid by the funds to the shareholder's fund, will be transferred to/borne by the shareholders' fund as wakalah surplus/deficit.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.17 Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement and/or general reinsurance revenue account.

The results of an associate, Labuan Reinsurance (L) Limited are translated at the year end exchange rate with respect to the carrying amount of investments in associate, and at the exchange rate at the date of the transactions with respect to the share of profits or losses. All resulting translation differences are included in the foreign exchange translation reserve in shareholder's equity.

The principal exchange rate for every unit of United States Dollar ruling at balance sheet date used is RM3.445 (2005: RM3.705).

2.18 Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

2.19 Zakat

This represents tithes payable by the takaful subsidiary to comply with the principles of Shariah and is as approved by the Shariah Advisory Body. It is an obligatory amount payable by the takaful subsidiary to comply with the principles of Shariah. The takaful subsidiary adopts the net current assets method of calculating zakat payable.

2.20 Employee Benefits

(i) Short-term benefits

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

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2. Significant Accounting Policies (Cont'd)

2.20 Employee Benefits (Cont'd)

(ii) Defined contribution plan

As required by law, the Group makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group also makes additional contributions to the EPF for eligible employees by reference to their length of service and earnings. Such contributions are recognised as an expense in the income statement and/or general reinsurance revenue account as incurred.

2.21 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions. The cash flow statement has been prepared using the indirect method.

2.22 Provisions for Liabilities

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

2.23 Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and 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.

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

The transaction costs of any equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction that would otherwise have been avoided.

2.24 Payables

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

2.25 Balances with Subsidiaries

Balances with subsidiaries are stated at the amounts which are due and expected to be settled.

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2. Significant Accounting Policies (Cont'd)

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

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

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

In addition to the above, the Group has also taken the option of early adoption of the FRS 117: Leases which are effective for financial periods beginning on or after 1 October 2006, for the financial period beginning 1 April 2006. The Group has not early adopted the following FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations which have effective dates as follows:

FRS/IC Interpretation	For financial periods beginning on or after
(i) FRS 124: Related Party Disclosures	1 October 2006
(ii) FRS 6: Exploration for and valuation of Mineral Resources	1 January 2007
(iii) FRS 119 ₂₀₀₄ : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
(iv) FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
(v) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
(vi) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
(vii) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
(viii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
(ix) IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
(x) IC Interpretation 8: Scope of FRS 2	1 July 2007

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

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

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2. Significant Accounting Policies (Cont'd)

2.26 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

The adoption of new and revised FRS 2, 3, 5, 102, 108, 110, 121, 127, 128, 131, 132, 133 and 136 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new or revised FRSs are summarised as below:

(i) FRS 101: Presentation of Financial Statements

Group's share of taxation of associates

Prior to 1 April 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation. These changes in presentation have no impact on the Company's financial statements.

(ii) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold of land. Leases of land are classified as operating leases in the same way as leases of other assets. Leasehold land held for own use is now classified as an operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the building elements in proportion to the relative fair values for the leasehold interests in the land element and building element of the lease at the inception of the lease. Buildings situated on leasehold land are carried as part of buildings under Property, Plant and Equipment. The up-front payment relating to leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. At 1 April 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments from the investment properties has been accounted for prospectively and the comparatives as at 31 March 2006 are not restated. Instead, the changes have been accounted for by restating the opening balances in the balance sheet as at 1 April 2006 as disclosed in Note 2.26 (vi) to the financial statements.

(iii) FRS 138: Intangible Assets

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

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

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

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

This change has no significant impact on the results of the Group.

Notes to the Financial Statements

– 31 March 2007

2. Significant Accounting Policies (Cont'd)**2.26 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)****(iv) FRS 140: Investment Property**

Prior to 1 April 2006, investment properties are treated as long term investments and are stated at the net book value at the date of transfer from property, plant and equipment or at cost, less provision for any impairment losses and investment properties are not depreciated.

The adoption of FRS 140 has resulted in a change in the accounting policy for investment properties as well as the reclassification of certain properties, which are significantly owner-occupied, have been reclassified from investment properties to property, plant and equipment.

With the adoption of FRS 140 also, investment properties are now stated at fair value and any gains and losses arising from changes in fair values are recognised in the income statement in the year in which they arise. This change in accounting policy has been applied prospectively.

The net fair value gain on investment properties arising on adoption of FRS 140 was RM769,000.

(v) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements**(a) Effects on Balance Sheets as at 31 March 2007**

Description of change	< -----Increase/(Decrease)----- >			Total RM'000
	FRS 117 Note 2.26 (ii) RM'000	FRS 138 Note 2.26 (iii) RM'000	FRS 140 Note 2.26 (iv) RM'000	
Group				
Property, plant and equipment	(5,306)	(11,022)	114,189	97,861
Investment properties	–	–	(114,189)	(114,189)
Prepaid lease payments	5,306	–	–	5,306
Intangible assets	–	11,022	–	11,022

(b) Effects on Income Statements and General Reinsurance Revenue Account for the Year Ended 31 March 2007

Description of change	< -----Increase/(Decrease)----- >			Total RM'000
	FRS 117 Note 2.26 (ii) RM'000	FRS 138 Note 2.26 (iii) RM'000	FRS 140 Note 2.26 (iv) RM'000	
Group				
Management expenses:				
Gain on fair value adjustments	–	–	1,233	1,233
Amortisation	94	843	–	937
Depreciation	–	(843)	–	(843)

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.26 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(vi) Restatement of Comparatives

The following comparatives amount have been restated as a result of adopting the new and revised FRSs:

	Previously stated RM'000	FRS 117 Note 2.26 (iii) RM'000	FRS 138 Note 2.26 (iv) RM'000	FRS 140 Note 2.26 (v) RM'000	Restated RM'000
Description of change					
At 31 March 2006					
Property, plant and equipment	12,693	(5,400)	(5,818)	115,422	116,897
Investment properties	146,589	–	–	(115,422)	31,167
Prepaid lease payments	–	5,400	–	–	5,400
Intangible assets	–	–	5,818	–	5,818

2.27 Changes in Estimates

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

2.28 Significant Accounting Estimates and Judgements

(i) Critical Judgement Made in Applying Accounting Policies

The following is the judgement made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amount recognised in the financial statements. Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.28 Significant Accounting Estimates and Judgements (Cont'd)

(ii) 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.

(a) Depreciation and amortisation

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

(b) Impairment

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

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

(c) Uncertainty in accounting estimates

(i) General reinsurance and takaful businesses

The principal uncertainty in the general reinsurance and takaful businesses arises from the technical provisions which include the provisions of premium/contribution and claims liabilities. The premium/contribution liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium/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 premiums/contributions and claims liabilities will not exactly develop as projected and may vary from the projections.

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

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the 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.

– 31 March 2007

2. Significant Accounting Policies (Cont'd)

2.28 Significant Accounting Estimates and Judgements (Cont'd)

(ii) Key Sources of Estimation Uncertainty (Cont'd)

(c) Uncertainty in accounting estimates (Cont'd)

(ii) Family takaful business

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

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

For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future exposures. All of this will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund.

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

(d) Deferred tax assets

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

Deferred tax assets are recognised for all provisions for diminution in value of investments, unearned premium reserves, provision for doubtful debts, 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 upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying value of recognised provisions for diminution in value of investments, unearned premium reserves, provision for doubtful debts, net amortisation of premium in investments and other temporary differences of the Group was RM10,587,000 (2006 : RM8,300,000).

Notes to the Financial Statements

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3. Property, Plant and Equipment

Group	Freehold Land RM'000	Buildings RM'000	Computer Equipment RM'000	Furniture, Fittings and Office Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Cost						
At 1 April 2005	15,886	94,137	5,246	14,941	1,942	132,152
Additions	–	–	915	2,630	–	3,545
Disposals	–	–	(9)	(175)	(509)	(693)
Write offs	–	–	–	(198)	–	(198)
At 31 March 2006	15,886	94,137	6,152	17,198	1,433	134,806
Additions	–	–	1,038	2,754	271	4,063
Disposals	–	–	–	(125)	(60)	(185)
Write offs	–	–	(4)	(205)	–	(209)
At 31 March 2007	15,886	94,137	7,186	19,622	1,644	138,475
Accumulated Depreciation						
At 1 April 2005	–	–	3,018	11,927	687	15,632
Charge for the year	–	–	1,673	898	365	2,936
Disposals	–	–	(4)	(173)	(398)	(575)
Write offs	–	–	–	(84)	–	(84)
At 31 March 2006	–	–	4,687	12,568	654	17,909
Charge for the year	–	2,103	1,094	1,287	325	4,809
Disposals	–	–	–	(126)	(60)	(186)
Write offs	–	–	(4)	(102)	–	(106)
At 31 March 2007	–	2,103	5,777	13,627	919	22,426
Net Carrying Amount						
At 31 March 2007	15,886	92,034	1,409	5,995	725	116,049
At 31 March 2006	15,886	94,137	1,465	4,630	779	116,897

The net carrying amount of buildings situated on leasehold land at 31 March 2007 amounted to RM19,264,000 (2006: RM19,726,000).

Company	Computer Equipment RM'000	Furniture, Fittings and Office Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 April 2005	7,732	11,546	1,533	20,811
Transferred to subsidiary (Note 8(a))	(7,732)	(11,546)	(1,533)	(20,811)
At 31 March 2006/31 March 2007	–	–	–	–
Accumulated Depreciation				
At 1 April 2005	5,941	10,883	506	17,330
Transferred to subsidiary (Note 8(a))	(5,941)	(10,883)	(506)	(17,330)
At 31 March 2006/31 March 2007	–	–	–	–
Net Carrying Amount				
At 31 March 2006/31 March 2007	–	–	–	–

– 31 March 2007

4. Investment Properties

	Group	
	2007 RM'000	2006 RM'000 (Restated)
At beginning of year	31,167	31,167
Fair value adjustments	1,233	–
At end of year	<u>32,400</u>	<u>31,167</u>
Analysed as:		
Freehold land	13,950	12,290
Buildings	18,450	18,877
	<u>32,400</u>	<u>31,167</u>

5. Prepaid Land Lease Payments

	Group	
	2007 RM'000	2006 RM'000 (Restated)
At beginning of year	5,400	5,400
Amortisation for the year	(94)	–
At end of year	<u>5,306</u>	<u>5,400</u>
Analysed as:		
Long term leasehold land	<u>5,306</u>	<u>5,400</u>

6. Intangible Assets

Group	Software Development Cost in Progress RM'000	Computer Software and Licenses RM'000	Total RM'000
Cost			
At 1 April 2006	3,612	10,302	13,914
Additions	4,008	2,094	6,102
Disposals	(55)	–	(55)
At 31 March 2007	<u>7,565</u>	<u>12,396</u>	<u>19,961</u>
Accumulated Amortisation			
At 1 April 2006	–	8,096	8,096
Amortisation expenses for the year	–	843	843
At 31 March 2007	<u>–</u>	<u>8,939</u>	<u>8,939</u>
Net Carrying Amount			
At 31 March 2007	<u>7,565</u>	<u>3,457</u>	<u>11,022</u>
At 31 March 2006	<u>3,612</u>	<u>2,206</u>	<u>5,818</u>

Notes to the Financial Statements

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7. Deferred Tax Assets

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of year	8,300	6,500	–	6,500
Recognised in income statement (Note 31)	2,287	1,800	–	(6,500)
At end of year	10,587	8,300	–	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	Provision for diminution in value of investments RM'000	Unearned premium reserves RM'000	Provision for doubtful debts RM'000	Net amortisation of premium on investments RM'000	Others RM'000	Total RM'000
Group						
2007						
At 1 April 2006	3,447	2,090	945	1,369	449	8,300
Recognised in income statement	(211)	909	(118)	420	1,287	2,287
At 31 March 2007	3,236	2,999	827	1,789	1,736	10,587
2006						
At 1 April 2005	3,667	890	924	570	449	6,500
Recognised in income statement	(220)	1,200	21	799	–	1,800
At 31 March 2006	3,447	2,090	945	1,369	449	8,300
Company						
2007						
At 1 April 2006	–	–	–	–	–	–
Recognised in income statement	–	–	–	–	–	–
At 31 March 2007	–	–	–	–	–	–
2006						
At 1 April 2005	3,667	890	924	570	449	6,500
Recognised in income statement	(3,667)	(890)	(924)	(570)	(449)	(6,500)
At 31 March 2006	–	–	–	–	–	–

– 31 March 2007

8. Investment in Subsidiaries

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares in Malaysia, at cost	580,000	480,000

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Ownership Interest	
			2007 %	2006 %
Held by the Company:				
Malaysian Reinsurance Berhad ("Malaysian Re")*	Malaysia	Underwriting of all classes of general reinsurance business	100	100
Takaful Ikhlas Sdn. Bhd.*	Malaysia	Underwriting of family and general takaful business	100	100
MMIP Services Sdn. Bhd.*	Malaysia	Managing the Malaysian Motor Insurance Pool to provide motor insurance to vehicle owners who are unable to obtain insurance protections for their vehicles	100	–
MNRB Retakaful Berhad*	Malaysia	Operator of family and general retakaful business (the Company has not commenced operations)	100	–
Held by Malaysian Re:				
Malaysian Re (Dubai) Ltd.**	Dubai, UAE	Marketing and promotional activities and services of clients on behalf of Malaysian Re	100	–

* Audited by Ernst & Young, Malaysia.

** Incorporated on 7 December 2006. Not subject to statutory audit as of 31 March 2007.

Notes to the Financial Statements

– 31 March 2007

8. Investment in Subsidiaries (Cont'd)**(a) Transfer of net assets to subsidiary**

On 1 April 2005, pursuant to a Vesting Order obtained from the High Court of Malaya in Kuala Lumpur, the Company transferred its reinsurance license, reinsurance business and net assets of the reinsurance business as a going concern to its wholly owned subsidiary, Malaysian Re. Details of the net assets transferred as of that date are as follows:

	RM'000
Assets	
Property, plant and equipment	3,481
Investment in associate	75,658
Investments:	
– Deposits and placements with financial institutions	344,192
– Other investments	725,675
Loans receivable	14,883
Receivables	87,676
Cash and bank balances	1,930
	<u>1,253,495</u>
Liabilities	
Provision for outstanding claims	593,830
Payables	35,784
	<u>629,614</u>
Insurance Reserves	
Unearned premium reserves	223,881
Total net assets transferred	<u>400,000</u>
The net assets transferred to Malaysian Re were satisfied via:	
Issuance of new ordinary shares of RM1.00 each in Malaysian Re	380,000
Loan to Malaysian Re	20,000
	<u>400,000</u>

9. Investment in Associates

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	77,615	75,658	1,957	–
Share of post acquisition retained profits	16,276	12,728	–	–
Post acquisition foreign exchange translation reserve*	27,976	35,411	–	–
	<u>121,867</u>	123,797	<u>1,957</u>	–
Represented by:				
Share of net assets	<u>121,867</u>	123,797	<u>1,957</u>	–

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9. Investment in Associates (Cont'd)

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest and Voting Power	
			2007 %	2006 %
Held by the Company:				
Motordata Research Consortium Sdn. Bhd.	Malaysia	Development and provision of a centralised parts price database for the Malaysian insurance industry	40	–
Held by Malaysian Re:				
Labuan Reinsurance (L) Ltd.	Malaysia	Underwriting of all classes of general reinsurance business in the Federal Territory of Labuan	20	20

* This is in respect of retranslation of the cost of the investment in associate at the closing rate of exchange.

The financial statements of the above associates are not conterminous with those of the Group, which has a financial year ended 31 March. For the purpose of applying the equity method of accounting, the audited financial statements for the year ended 31 December 2006 and management financial statements to the end of the accounting period of 31 March 2007 have been used.

The summarised financial information of the associates are as follows:

	2007 RM'000	2006 RM'000
Assets and liabilities:		
Current assets	392,330	359,051
Non-current assets	1,028,567	1,007,326
Total assets	1,420,897	1,366,377
Current liabilities	278,056	242,701
Non-current liabilities	522,235	507,347
Total liabilities	800,291	750,048
Results:		
Revenue	87,791	39,452
Profit for the year	18,130	21,128

Notes to the Financial Statements

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10. Investments

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) Deposits and placements with financial institutions				
Fixed and call deposits with licensed:				
Commercial banks	128,426	55,795	362	23,086
Investment banks	114,520	85,622	187	27,402
Discount houses	15,851	700	373	200
Other approved deposits	–	79,800	–	26,000
	258,797	221,917	922	76,688
Islamic investment accounts with licensed:				
Building society	15,000	19,000	–	–
Development bank	5,000	9,000	–	–
Islamic banks	84,224	2,000	79,756	–
Commercial banks	21,350	3,830	20,000	–
	125,574	33,830	99,756	–
Islamic repo placements	3,499	1,791	–	–
	387,870	257,538	100,678	76,688
(b) Other investments				
Marketable securities:				
Securities purchased under repurchase agreements	104,117	48,685	–	–
Bankers' acceptance	47,688	147,876	–	33,335
Treasury bills	9,937	4,995	–	–
Malaysian Government Securities (Group : less accretion of discounts of RM2,329,642 (2006 : add net accretion of discounts of RM4,104,188))	101,947	102,151	–	–
	263,689	303,707	–	33,335

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– 31 March 2007

10. Investments (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(b) Other investments (Cont'd)				
Others:				
Unquoted corporate debt securities (Group : less net amortisation of premiums of RM954,012 (2006 : less net amortisation of premiums of RM2,078,448)) (Company : Nil (2006: add net accretion of discount of RM1,080,319))				
Bank guaranteed	–	63,438	–	–
Government guaranteed	20,079	20,096	–	–
Secured	81,521	8,576	–	–
Unsecured	228,584	227,938	–	26,080
Government investment issues	8,062	–	–	–
Islamic private debt securities (Group : less net amortisation of premiums of RM602,368 (2006: add net accretion of discounts of RM49,844))	15,026	15,678	–	–
Short term commercial papers	26,385	28,786	–	–
Quoted shares in Malaysia	149,777	199,266	1,893	914
Quoted shares outside Malaysia	922	922	–	–
Unquoted shares in Malaysia	51,462	50,333	–	–
Quoted loan stocks	239	524	–	–
Golf club memberships	110	110	–	–
Institutional trust fund	45,724	42,607	–	–
Capital guaranteed investment	–	20,000	–	–
Units held in investment linked fund	5,000	–	–	–
	632,891	678,274	1,893	26,994
	896,580	981,981	1,893	60,329
Less: Provision for diminution in value of investments				
Quoted shares in Malaysia	(11,588)	(12,087)	–	–
Quoted shares outside Malaysia	(362)	(179)	–	–
Quoted loan stocks	(35)	(45)	–	–
Islamic private debt securities	(4,768)	(431)	–	–
Impairment loss on investment in unquoted shares	(4,759)	(4,759)	–	–
	(21,512)	(17,501)	–	–
	875,068	964,480	1,893	60,329

Notes to the Financial Statements

– 31 March 2007

10. Investments (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(b) Other investments (Cont'd)				
Market value of other investments:				
Malaysian Government Securities	110,399	101,608	–	–
Unquoted corporate debt securities	366,320	309,443	–	26,085
Government investment issues	8,226	–	–	–
Islamic private debt securities	14,987	14,963	–	–
Short term commercial papers	–	28,786	–	–
Quoted shares in Malaysia	180,253	241,467	66,490	55,202
Quoted shares outside Malaysia	561	744	–	–
Quoted loan stocks	203	479	–	–
Institutional trust fund	45,724	42,607	–	–
Capital guaranteed investment	–	20,000	–	–

The market values of quoted securities are indicative of their fair values as at the financial year end and are determined by reference to market prices quoted on the relevant stock exchanges at the close of business on the balance sheet date. The methods for estimating the market values of other investments have been disclosed in Note 39(g).

The pertinent details and carrying amounts of investments in unquoted shares in Malaysia are as follows:

	Group	
	2007 RM'000	2006 RM'000
(i) 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), issued at RM1.03 per share, representing an equity shareholding of 9%.	28,283	28,283
20,000,000 redeemable preference shares of RM1.00 each of FPL, issued at RM1.03 per share.	20,569	20,569
(ii) Other	2,610	1,481
	51,462	50,333
Less: Impairment loss	(4,759)	(4,759)
	46,703	45,574

– 31 March 2007

10. Investments (Cont'd)**(b) Other investments (Cont'd)**

The range of weighted average effective interest rates (“WAEIR”) during the year and the earlier of the contractual re-pricing or maturity dates as at the financial year end, for each class of interest-bearing deposits and placements with financial institutions and other investments of the Group and of the Company are as follows:

	Group		Company	
	Range of WAEIR (per annum)			
	2007	2006	2007	2006
	%	%	%	%
Deposits and placements with financial institutions:				
Fixed and call deposits with licensed financial institutions	3.10 - 4.75	2.75 - 3.90	3.10 - 3.50	2.75 - 3.30
Other approved deposits	4.03 - 6.00	4.03 - 6.80	–	3.30
Other investments:				
Securities purchased under repurchase agreements	3.35 - 3.57	2.75 - 3.90	–	–
Malaysian Government Securities	3.70 - 8.60	4.31 - 8.60	–	–
Treasury bills	–	2.38 - 2.48	–	–
Unquoted corporate debt securities	–	1.00 - 8.30	–	5.50 - 6.95
Capital guaranteed investment	–	2.25	–	–
Interest-bearing contractual re-pricing or maturity date (whichever is earlier)				
	1 year or less	1 year to 5 years	More than 5 years	Total
2007	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements with financial institutions:				
Fixed and call deposits placed with licensed financial institutions	238,424	373	–	238,797
Other approved deposits	10,000	10,000	–	20,000
	248,424	10,373	–	258,797
Other investments:				
Securities purchased under repurchase agreements	104,117	–	–	104,117
Bankers' acceptance	47,688	–	–	47,688
Malaysian Government Securities	46,633	35,004	30,247	111,884
Unquoted corporate debt securities	65,207	197,969	67,009	330,185
Short term commercial papers	26,385	–	–	26,385
	290,030	232,973	97,256	620,259

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10. Investments (Cont'd)

(b) Other investments (Cont'd)

	Interest-bearing contractual re-pricing or maturity date (whichever is earlier)			Total RM'000
	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	
2007 (Cont'd)				
Company				
Deposits and placements with financial institutions:				
Fixed and call deposits placed with licensed financial institutions	549	373	–	922
Other approved deposits	–	–	–	–
	549	373	–	922
Other investments:				
Bankers' acceptance	–	–	–	–
Unquoted corporate debt securities	–	–	–	–
	–	–	–	–
2006				
Group				
Deposits and placements with financial institutions:				
Fixed and call deposits placed with licensed financial institutions	142,117	–	–	142,117
Other approved deposits	–	79,800	–	79,800
	142,117	79,800	–	221,917
Other investments:				
Securities purchased under repurchase agreements	48,685	–	–	48,685
Bankers' acceptance	114,541	–	–	114,541
Treasury bills	4,995	–	–	4,995
Malaysian Government Securities	–	71,861	30,290	102,151
Unquoted corporate debt securities	76,032	141,889	102,127	320,048
Short term commercial papers	28,786	–	–	28,786
Capital guaranteed investment	–	20,000	–	20,000
	273,039	233,750	132,417	639,206
Company				
Deposits and placements with financial institutions:				
Fixed and call deposits placed with licensed financial institutions	50,688	–	–	50,688
Other approved deposits	–	26,000	–	26,000
	50,688	26,000	–	76,688
Other investments:				
Bankers' acceptance	33,335	–	–	33,335
Unquoted corporate debt securities	–	15,403	10,677	26,080
	33,335	15,403	10,677	59,415

– 31 March 2007

10. Investments (Cont'd)

(b) Other investments (Cont'd)

The range of weighted average effective profit rate ("WAEPR") during the financial year of the Islamic investments of the Group as at 31 March 2007 is between 3.11% to 5.03% (2006: 3.05% to 6.82%) per annum.

The maturity profile of the Islamic investments are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
1 year or less	133,372	40,589	99,756	–
1 year to 5 years	24,364	10,279	–	–
	157,736	50,868	99,756	–

(c) Group – General takaful fund

	2007 RM'000	2006 RM'000
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	11,635	9,300
Islamic banks	16,127	9,607
Commercial banks	4,094	4,840
Islamic repo placements	400	3,040
	32,256	26,787
Other investments:		
Khazanah Nasional Berhad bonds	5,212	5,212
Islamic Cagamas bonds	2,503	2,503
Government investment issues	6,855	2,848
Islamic private debt securities	8,222	6,064
Net accretion of discounts	518	267
	23,310	16,894
Provision for diminution in value	(333)	(333)
	22,977	16,561
Market value of other investments:		
Khazanah Nasional Berhad bonds	5,688	5,481
Islamic Cagamas bonds	2,540	2,530
Government investment issues	7,057	2,852
Islamic private debt securities	7,735	5,561

Notes to the Financial Statements

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10. Investments (Cont'd)**(c) Group – General takaful fund (Cont'd)**

The maturity profile of deposits and placements with financial institutions and other investments of the general takaful fund are as follows:

	1 year or less RM'000	1 year to 5 years RM'000	Total RM'000
2007			
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	11,635	–	11,635
Islamic banks	16,127	–	16,127
Commercial banks	4,094	–	4,094
Islamic repo placements	400	–	400
	32,256	–	32,256
Other investments:			
Khazanah Nasional Berhad bonds	–	5,673	5,673
Islamic Cagamas bonds	–	2,501	2,501
Government investment issues	1,986	4,974	6,960
Islamic private debt securities	–	7,843	7,843
	1,986	20,991	22,977
2006			
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	9,300	–	9,300
Islamic banks	9,607	–	9,607
Commercial banks	4,840	–	4,840
Islamic repo placements	3,040	–	3,040
	26,787	–	26,787
Other investments:			
Khazanah Nasional Berhad bonds	–	5,466	5,466
Islamic Cagamas bonds	–	2,502	2,502
Government investment issues	–	2,856	2,856
Islamic private debt securities	–	5,737	5,737
	–	16,561	16,561

– 31 March 2007

10. Investments (Cont'd)**(d) Group – Family takaful fund**

	2007 RM'000	2006 RM'000
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	20,948	10,000
Islamic banks	41,905	8,390
Commercial banks	15,000	11,895
Islamic repo placements	13,772	11,205
Islamic Unit Trust	2,027	–
	93,652	41,490
Other investments:		
Khazanah Nasional Berhad bonds	7,821	7,821
Islamic Cagamas bonds	2,503	2,503
Government investment issues	19,699	6,595
Islamic private debt securities	17,181	13,944
Islamic Commercial paper	11,821	–
Net accretion of discounts	952	398
	59,977	31,261
Provision for diminution in value	(333)	(333)
	59,644	30,928
<u>Market value of other investments:</u>		
Khazanah Nasional Berhad bonds	8,439	8,120
Islamic Cagamas bonds	2,540	2,530
Government investment issues	20,178	6,609
Islamic private debt securities	16,759	13,448

Notes to the Financial Statements

– 31 March 2007

10. Investments (Cont'd)**(d) Group – Family takaful fund (Cont'd)**

The maturity profile of deposits and placements with financial institutions and other investments of the family takaful fund are as follows:

	1 year or less RM'000	1 year to 5 years RM'000	Total RM'000
2007			
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	19,948	1,000	20,948
Islamic banks	37,905	4,000	41,905
Commercial banks	14,500	500	15,000
Islamic repo placements	13,772	–	13,772
Islamic Unit Trust	–	2,027	2,027
	86,125	7,527	93,652
Other investments:			
Khazanah Nasional Berhad bonds	–	8,430	8,430
Islamic Cagamas bonds	–	2,501	2,501
Government investment issues	6,849	13,094	19,943
Islamic private debt securities	–	16,805	16,805
Islamic Commercial paper	11,965	–	11,965
	18,814	40,830	59,644
2006			
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	10,000	–	10,000
Islamic banks	8,390	–	8,390
Commercial banks	11,895	–	11,895
Islamic repo placements	11,205	–	11,205
	41,490	–	41,490
Other investments:			
Khazanah Nasional Berhad bonds	–	8,130	8,130
Islamic Cagamas bonds	–	2,502	2,502
Government investment issues	–	6,625	6,625
Islamic private debt securities	–	13,671	13,671
	–	30,928	30,928

The methods for estimating the market values of Khazanah Nasional Berhad bonds, Islamic Cagamas bonds, Government Islamic issue and Islamic private debt securities of the general and family takaful funds are disclosed in Note 39(g).

– 31 March 2007

10. Investments (Cont'd)

(d) Group – Family takaful fund (Cont'd)

The weighted average effective profit rate of the deposits and placements with financial institutions and other investments of the general and family takaful funds are as follows:

	General takaful fund % per annum	Family takaful fund % per annum
2007		
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	3.71	3.69
Islamic banks	3.73	3.86
Commercial banks	3.56	3.69
Islamic repo placements	2.80	3.35
	<hr/>	<hr/>
Other investments:		
Islamic Cagamas bonds	4.20	4.20
Government investment issues	3.75	3.69
Islamic private debt securities	3.49	4.23
	<hr/>	<hr/>
2006		
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	3.32	3.41
Islamic banks	2.91	2.96
Commercial banks	3.18	3.29
Islamic repo placements	2.99	2.98
	<hr/>	<hr/>
Other investments:		
Islamic Cagamas bonds	4.20	4.20
Government investment issues	3.38	3.36
Islamic private debt securities	6.10	5.57
	<hr/>	<hr/>

11. Loan to Subsidiary

The loan amounting to RM20,000,000 was provided by the Company on 1 April 2005 to its subsidiary, Malaysian Reinsurance Berhad (Malaysian Re) as part settlement for the RM400,000,002 purchase consideration, in respect of the transfer of its reinsurance license, reinsurance business and net assets of the reinsurance business as a going concern, to the subsidiary, as disclosed in Note 8(a).

The loan was settled on 20 November 2006 upon conversion to 20,000,000 new ordinary shares, of RM1.00 each in Malaysian Re, as disclosed in Note 37.

The loan to the subsidiary was unsecured, interest-free and did not have any fixed repayment terms.

Notes to the Financial Statements

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12. Loans Receivable

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Secured staff loans:				
Receivable within 12 months	1,586	1,872	647	99
Receivable after 12 months	12,455	12,841	–	592
	14,041	14,713	647	691

The weighted average interest rate for interest-bearing staff loans of the Group and of the Company as at 31 March 2007 was 2.76% (2006: 2.76%) per annum respectively.

Included in the staff loans of the Group as at the financial year end are loans provided to staff of the takaful subsidiary which are not subject to any profit elements or finance charges as follows:

	2007 RM'000	2006 RM'000
Staff loans receivable within 12 months	496	353
Staff loans receivable after 12 months	714	521
	1,210	874

Also included in staff loans of the Group is the outstanding portion of a housing loan given to the Managing Director of the general reinsurance subsidiary amounting to RM151,520 (2006: RM246,000), based on the terms of the existing housing loan scheme applicable to the executive personnel of the said subsidiary. The loan bears interest at 3% per annum and is secured by way of a first legal charge over the subject property.

13. Receivables

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables:				
Amount due from brokers and ceding companies	89,101	71,000	–	–
Provision for doubtful debts	(3,063)	(3,376)	–	–
	86,038	67,624	–	–
Other receivables:				
Qardhul Hasan: *				
General takaful fund (Note 17)	3,043	3,043	–	–
Due from: **				
General takaful fund	3,007	4,631	–	–
Family takaful fund	11,651	12,369	–	–
Investment linked fund	7	–	–	–
Income due and accrued	8,663	7,655	126	264
Other receivables, deposits and prepayments	14,456	9,502	198	484
	40,827	37,200	324	748
	126,865	104,824	324	748

* Qardhul Hasan represents a loan to the general and family takaful funds to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment.

** The amounts due from general and family takaful funds are unsecured, not subject to any profit elements and have no fixed repayment terms.

– 31 March 2007

13. Receivables (Cont'd)

Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables:				
Contributions receivable	12,427	8,787	17,733	9,429
Due from agents, retakaful operators and brokers	2,689	1,298	–	–
Provision for doubtful debts	(1,433)	(1,119)	(285)	(392)
	13,683	8,966	17,448	9,037
Other receivables:				
Investment income receivable	719	236	1,174	365
Others	138	88	1,114	103
	857	324	2,288	468
	14,540	9,290	19,736	9,505

14. Due From/(To) Subsidiaries

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, not subject to any profit/interest elements and have no fixed terms of repayment.

15. Provision for Outstanding Claims

Group	General takaful fund		General reinsurance business	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross provision for outstanding claims			691,588	705,636
Less: Claims recoverable from reinsurers and ceding companies			(95,327)	(126,412)
Net provision for outstanding claims			596,261	579,224
Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross provision for outstanding claims	22,768	24,177	5,767	3,588
Less: Recoverable from retakaful	(781)	(301)	–	–
Provision for IBNR	10,362	–	–	–
Net provision for outstanding claims	32,349	23,876	5,767	3,588

Notes to the Financial Statements

– 31 March 2007

16. Payables

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables:				
Due to brokers and retrocessionaires	27,084	28,943	–	–
Due to agents, retakaful operators and brokers	5,192	1,632	–	–
	32,276	30,575	–	–
Other payables:				
Sundry payables and accruals	19,785	21,692	1,972	863
	52,061	52,267	1,972	863

Included in other payables of the Group is provision for short term accumulating compensated absences amounting to RM16,000 (2006: RM148,000).

Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables:				
Due to agents, retakaful operators and co-insurers	2,133	428	1,310	111
Other payables:				
Deposit contributions	1,352	1,490	6,571	4,161
Other accruals and payables	3,601	1,751	2,955	577
	4,953	3,241	9,526	4,738
	7,086	3,669	10,836	4,849

17. Due to Shareholders' Funds – General and Family Takaful Fund

Included in amounts due to shareholders' fund in the general takaful balance sheets was Qardhul Hasan loans amounting to RM3,043,000 (2006: RM3,043,000), to make good the deficits in the general takaful funds.

The amounts due to shareholders' fund in the general takaful funds was unsecured, not subject to any profit elements and have no fixed terms of repayment.

– 31 March 2007

18. Unearned Premium Reserves

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2007					
Group					
At 1 April 2006	70,792	77,544	20,586	51,745	220,667
Increase/(decrease) in unearned premium reserves	14,668	(1,966)	3,903	3,946	20,551
At 31 March 2007	85,460	75,578	24,489	55,691	241,218
Company					
At 1 April 2006/31 March 2007	-	-	-	-	-
2006					
Group					
At 1 April 2005	63,861	84,880	21,645	53,495	223,881
Increase/(decrease) in unearned premium reserves	6,931	(7,336)	(1,059)	(1,750)	(3,214)
At 31 March 2006	70,792	77,544	20,586	51,745	220,667
Company					
At 1 April 2005	63,861	84,880	21,645	53,495	223,881
Transferred to subsidiary (Note 8(a))	(63,861)	(84,880)	(21,645)	(53,495)	(223,881)
At 31 March 2006	-	-	-	-	-

19. Share Capital

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At beginning of year	208,908	202,880	208,908	202,880
Issued during the year (Note 20)	2,958	6,028	2,958	6,028
At end of year	211,866	208,908	211,866	208,908

During the financial year, the Company increased its issued and paid-up share capital from RM208,908,000 to RM211,866,000 (2006: from RM202,880,000 to RM208,908,000) by way of issuance of 2,958,000 (2006: 6,028,000) ordinary shares of RM1.00 each under the ESOS at an average exercise price of RM2.87 (2006: RM2.87) each. The share premium arising, after deducting transaction costs of Nil (2006: RM72,000), amounted to RM5,510,000 (2006: RM11,226,000) and this has been credited to the share premium account as disclosed in Note 20. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

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20. Share Premium

	2007 RM'000	2006 RM'000
At beginning of year	97,293	86,067
Issue of 2,958,000 (2006: 6,028,000) ordinary shares at an average premium of approximately RM1.87 (2006: RM1.87) per share under the ESOS after deducting transaction costs of Nil (2006: RM72,000)	5,510	11,226
At end of year	102,803	97,293

21. General Takaful Fund

Group	2007 RM'000	2006 RM'000
At 1 April 2006/2005	22,194	14,205
Underwriting surplus/(deficit) during the year	2,178	(2,206)
Increase in unearned contribution reserves (Note 22)	10,101	7,989
Increase in Qardhul Hasan (Note 17)	–	2,206
Hibah profit paid to participants during the year	(94)	–
At 31 March 2007/2006	34,379	22,194

22. Unearned Contributions Reserves**Group – General Takaful Fund**

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2007					
At 1 April 2006	925	20,677	166	425	22,193
Increase during the year (Note 21)	2,253	5,401	44	2,403	10,101
At 31 March 2007	3,178	26,078	210	2,828	32,294
2006					
At 1 April 2005	1,155	12,482	–	567	14,204
(Decrease)/increase during the year (Note 21)	(230)	8,195	166	(142)	7,989
At 31 March 2006	925	20,677	166	425	22,193

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23. Family Takaful Fund

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

	Group	
	2007 RM'000	2006 RM'000
At 1 April 2006/2005	62,896	18,645
Surplus during the year	86,790	45,117
Decrease in Qardhul Hasan (Note 17)	–	(866)
At 31 March 2007/2006	149,686	62,896
Family takaful fund as at 31 March	149,686	62,896
Liability to certificate holders as established by actuarial valuation as at 31 March	(148,867)	(61,356)
	819	1,540
Surplus for the year	86,790	45,117
Increase in certificate reserves	(87,511)	(42,862)
(Deficit)/surplus arising during the year	(721)	2,255
Unallocated surplus brought forward	1,540	151
	819	2,406
Decrease in Qardhul Hasan (Note 17)	–	(866)
Unallocated surplus carried forward	819	1,540

24. Operating Revenue

2007	Shareholders' fund RM'000	General reinsurance business RM'000	Total RM'000
Group			
Gross premium	–	692,485	692,485
Management fees	50	–	50
AI Wakalah fees:			
General takaful fund (Note 25)	18,136	–	18,136
Family takaful fund (Note 25)	56,832	–	56,832
Investment linked fund AI Wakalah fees (Note 25)	17	–	17
Investment income (Note 26)	14,558	53,542	68,100
	89,593	746,027	835,620
Company			
Investment income (Note 26)	152,256	–	152,256
Management fees	741	–	741
	152,997	–	152,997

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24. Operating Revenue (Cont'd)

2006 Group	Shareholders'	General	Total RM'000
	fund RM'000	reinsurance business RM'000	
Gross premium	–	632,325	632,325
Management fees	43	–	43
AI Wakalah fees:			
General takaful fund (Note 25)	16,707	–	16,707
Family takaful fund (Note 25)	38,220	–	38,220
Investment income (Note 26)	11,968	49,431	61,399
	66,938	681,756	748,694
Company			
Investment income (Note 26)	8,528	–	8,528
Management fees	666	–	666
	9,194	–	9,194

25. AI Wakalah (Deficit)/Surplus Arising from Operations of General and Family Takaful Funds

Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
AI Wakalah fees (Note 24)	18,136	16,707	56,832	38,220
Investment linked fund AI Wakalah fees	–	–	17	–
Management expenses (Note 29)	(23,229)	(17,957)	(48,842)	(36,149)
	(5,093)	(1,250)	8,007	2,071

26. Investment Income

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Shareholders' fund				
Gross dividends:				
Quoted shares in Malaysia	4,917	3,647	4,917	3,647
Reinsurance subsidiary	–	–	142,520	–
Investment income from Islamic investments	2,981	2,829	508	–
Interest income:				
Fixed and call deposits with licensed financial institutions	3,454	4,758	1,632	4,188
Other approved deposits	801	102	376	101
Unquoted corporate debt securities	1,548	33	1,548	33
Short term commercial papers	729	469	729	457
Net accretion of discounts	128	130	26	102
	14,558	11,968	152,256	8,528

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26. Investment Income (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General reinsurance business				
Gross dividends:				
Quoted shares in Malaysia	8,699	11,089	–	–
Unquoted shares in Malaysia	143	–	–	–
Interest income:				
Malaysian Government Securities	5,863	5,682	–	–
Malaysian Government guaranteed bonds	760	760	–	–
Capital guaranteed investment	293	450	–	–
Fixed and call deposits with licensed financial institutions	6,295	5,618	–	–
Other approved deposits	805	1,245	–	–
Unquoted corporate debt securities	14,495	12,030	–	–
Short term commercial papers	–	1,803	–	–
Institutional trust fund	2,179	1,760	–	–
Other investments	11	15	–	–
Rental income	11,195	9,903	–	–
Net accretion of discounts/(amortisation of premiums)	2,957	(721)	–	–
Investment expenses	(153)	(203)	–	–
	53,542	49,431	–	–

27. Net Claims Incurred

<----- General reinsurance business ----->

	Marine, Aviation & Transit				Total RM'000
	Fire RM'000	Motor RM'000	Misc. RM'000	Misc. RM'000	
2007					
Group					
Gross claims paid	99,767	149,498	32,777	68,354	350,396
Reinsurance recoveries	(7,645)	(15,330)	(14,423)	(6,535)	(43,933)
Net claims paid (a)	92,122	134,168	18,354	61,819	306,463
Net outstanding claims:					
At end of year (b)	127,776	261,265	55,090	152,130	596,261
At beginning of year (c)	109,198	262,576	47,887	159,563	579,224
Net claims incurred (a+b-c)	110,700	132,857	25,557	54,386	323,500
2006					
Group					
Gross claims paid	90,596	159,769	53,969	70,671	375,005
Reinsurance recoveries	(8,750)	(20,316)	(27,484)	(8,193)	(64,743)
Net claims paid (a)	81,846	139,453	26,485	62,478	310,262
Net outstanding claims:					
At end of year (b)	109,198	262,576	47,887	159,563	579,224
At beginning of year (c)	101,492	261,850	60,212	170,276	593,830
Net claims incurred (a+b-c)	89,552	140,179	14,160	51,765	295,656

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27. Net Claims Incurred (Cont'd)

	<----- General reinsurance business ----->				
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2006 (Cont'd)					
Company					
Gross claims paid	–	–	–	–	–
Reinsurance recoveries	–	–	–	–	–
Net claims paid (a)	–	–	–	–	–
Net outstanding claims:					
At end of year (b)	–	–	–	–	–
At beginning of year (c)	101,492	261,850	60,212	170,276	593,830
Transferred to subsidiary (Note 8(a)) (d)	101,492	261,850	60,212	170,276	593,830
Net claims incurred (a+b-c-d)	–	–	–	–	–
Group – General takaful fund					
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2007					
Net claims paid (a)	1,099	20,672	53	713	22,537
Net outstanding claims:					
At end of year (b)	1,222	29,070	131	1,924	32,347
At beginning of year (c)	1,163	21,461	140	1,112	23,876
Net claims incurred (a+b-c)	1,158	28,281	44	1,525	31,008
2006					
Net claims paid (a)	87	10,556	–	282	10,925
Net outstanding claims:					
At end of year (b)	1,163	21,461	140	1,112	23,876
At beginning of year (c)	134	6,696	–	603	7,433
Net claims incurred (a+b-c)	1,116	25,321	140	791	27,368

28. Net Other Operating (Expenses)/Income

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Shareholders' fund				
Gain/(loss) on disposal of investments	531	(25)	531	–
Provision for diminution in value of investments	(4,336)	(431)	–	–
Sundry income	18	21	18	21
	(3,787)	(435)	549	21

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28. Net Other Operating (Expenses)/Income (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General reinsurance business				
Gain on disposal of investments	14,739	9,823	–	–
Writeback of provision for diminution in value of investments	325	852	–	–
Gain on disposal of property, plant and equipment	22	45	–	–
Other interest income	684	748	–	–
Gain on fair value adjustments	1,233	–	–	–
Impairment loss on investment in unquoted shares	–	(4,759)	–	–
Loss on foreign exchange	(1,961)	(3,219)	–	–
Sundry income	1,251	1,205	–	–
	16,293	4,695	–	–

Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gain/(loss) on disposal of investments	–	14	–	(23)
Provision for diminution in value of investments	–	(333)	–	(333)
Bank charges	(212)	–	(213)	–
Participants medical fees	–	–	(321)	–
Stamp duty	–	–	(319)	–
	(212)	(319)	(853)	(356)

29. Management Expenses

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Shareholders' fund				
Depreciation	1,687	1,612	–	–
Amortisation	483	1,506	–	–
Property, plant and equipment written off	103	114	–	–
Non-executive directors' remuneration (Note 30)	830	466	830	466
Auditors' remuneration				
– statutory audit	11	5	5	5
– other services	3	3	3	3
Other expenses	2,441	2,619	2,263	2,618
	5,558	6,325	3,101	3,092
Breakdown of shareholders' fund management expenses:				
Company	3,101	3,092	3,101	3,092
Subsidiaries	2,457	3,233	–	–
	5,558	6,325	3,101	3,092

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29. Management Expenses (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General reinsurance business				
Staff costs:				
Executive directors' remuneration (Note 30)	3,796	2,646	–	–
Pension costs – EPF	2,579	2,549	–	–
Retirement benefits	1,968	2,550	–	–
Short term accumulating compensated absences	434	97	–	–
Salaries, bonus and other related costs	15,781	18,619	–	–
	24,558	23,815	–	–
Auditors' remuneration				
– statutory audit	100	90	–	–
– other services	8	5	–	–
Insurance levy	1,226	1,224	–	–
Depreciation	3,122	1,663	–	–
Amortisation	454	–	–	–
Office rental	5,002	5,602	–	–
Other expenses	6,808	6,899	–	–
	41,278	39,298	–	–
Group				
			2007	2006
			RM'000	RM'000
General takaful fund				
Staff costs:				
Executive directors' remuneration (Note 30)			508	392
Pension costs – EPF			1,101	779
Short-term accumulating compensated absences			(23)	(45)
Salaries, bonus and other related costs			7,295	5,918
			8,881	7,044
Non-executive directors' remuneration (Note 30)			129	120
Auditors' remuneration				
– statutory audit			17	14
– other services			5	3
Office rental			952	817
Management fees			19	26
Other expenses			5,659	4,308
Commissions paid to agents			7,567	5,625
			23,229	17,957

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29. Management Expenses (Cont'd)

	Group	
	2007 RM'000	2006 RM'000
Family takaful fund		
Staff costs:		
Executive directors' remuneration (Note 30)	338	261
Pension costs – EPF	947	733
Short-term accumulating compensated absences	(16)	(30)
Salaries, bonus and other related costs	<u>6,801</u>	<u>5,549</u>
	8,070	6,513
Non-executive directors' remuneration (Note 30)	86	80
Auditors' remuneration		
– statutory audit	23	11
– other services	3	2
Office rental	841	562
Management fees	13	17
Other expenses	5,863	4,898
Commissions paid to agents	<u>33,943</u>	<u>24,066</u>
	48,842	36,149

30. Directors' Remuneration

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Shareholders' fund				
Non-executive directors of the Company:				
Fees	740	376	740	376
Allowances and other emoluments	90	90	90	90
	<u>830</u>	<u>466</u>	<u>830</u>	<u>466</u>
General reinsurance business				
Non-executive director of the Company:				
Salaries and bonus	1,200	1,104	–	–
Pension costs – EPF	240	192	–	–
Retirement benefits	404	164	–	–
Benefits-in-kind	39	38	–	–
	<u>1,883</u>	<u>1,498</u>	<u>–</u>	<u>–</u>
Directors of the other subsidiaries: *				
Salaries and bonus	1,442	806	–	–
Pension costs – EPF	249	148	–	–
Retirement benefits	–	94	–	–
Allowances	261	138	–	–
Benefits-in-kind	31	11	–	–
	<u>1,983</u>	<u>1,197</u>	<u>–</u>	<u>–</u>
Total executive directors' remuneration	<u>3,866</u>	<u>2,695</u>	<u>–</u>	<u>–</u>
Total executive directors' remuneration excluding benefits-in-kind	<u>3,796</u>	<u>2,646</u>	<u>–</u>	<u>–</u>
Total directors' remuneration	4,696	3,161	830	466
Total directors' remuneration excluding benefits-in-kind	4,626	3,112	830	466

* The directors of the other subsidiaries refers to management personnel, who are currently employed by the reinsurance subsidiary.

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30. Directors' Remuneration (Cont'd)

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2007			
Executive director of the subsidiary:			
Salaries and bonus	412	275	687
Pension costs – EPF	71	47	118
Others	25	16	41
Benefits-in-kind	24	16	40
	532	354	886
Total executive directors' remuneration excluding benefits-in-kind	508	338	846
Non-executive directors:			
Fees	99	66	165
Allowances and other emoluments	30	20	50
	129	86	215
2006			
Executive director of the subsidiary:			
Salaries and bonus	315	210	525
Pension costs – EPF	54	36	90
Others	23	15	38
Benefits-in-kind	45	31	76
	437	292	729
Total executive directors' remuneration excluding benefits-in-kind	392	261	653
Non-executive directors:			
Fees	92	61	153
Allowances and other emoluments	28	19	47
	120	80	200

31. Taxation

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax:				
Malaysian income tax	39,717	40,374	40,671	1,770
Overprovision in prior years	(22,275)	–	(21,538)	–
	17,442	40,374	19,133	1,770
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 7)	(2,287)	(1,800)	–	6,500
	15,155	38,574	19,133	8,270

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year.

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31. Taxation (Cont'd)

A reconciliation of income tax expenses applicable to profit before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before zakat and tax	144,644	153,764	150,445	6,123
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	39,054	43,054	40,620	1,714
Effects of different tax rates of associate	–	(3,293)	–	–
Effects of different tax rate in respect of offshore insurance	(64)	(106)	–	–
Income not subject to tax	(525)	(9,771)	–	(229)
Expenses not deductible for tax purposes	398	2,191	51	285
Deferred taxation recognised on transfer of business to subsidiary	–	–	–	6,500
Transfer of deferred tax	(1,000)	–	–	–
Utilisation of previously unrecognised deferred tax assets	(549)	–	–	–
Overprovision of tax expense in prior years	(22,275)	–	(21,538)	–
Underprovision of deferred tax expense in prior years	116	–	–	–
Tax expense for the year	15,155	32,074	19,133	8,270

As at 31 March 2007, the Company has tax exempt profits amounting to approximately RM59,000,000 (2006: RM94,000,000) which are available for distribution as tax exempt dividends. The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt profits to declare dividends out of its entire retained profits as at 31 March 2007 without incurring additional tax liabilities.

Group	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax:				
Malaysian income tax	–	–	–	–
Overprovision in prior years	–	–	–	–
	–	–	–	–

Domestic income tax of the general takaful fund is calculated at the Malaysian statutory tax rate of 27% (2006: 28%), except for family takaful business which is taxed at the preferential tax rate of 8% of taxable investment income for the year.

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31. Taxation (Cont'd)

A reconciliation of income tax expense applicable to (deficit)/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds are as follows:

	General takaful fund		Family takaful fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Surplus/(deficit) before taxation	3,404	(2,206)	88,234	45,562
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	919	(766)	7,059	3,609
Income not subject to tax	–	–	(6,839)	(3,577)
Expenses not deductible for tax purposes	86	295	60	24
Deferred tax asset not recognised during the year	–	471	–	–
Utilisation of previously unrecognised deferred tax assets	(1,005)	–	(280)	(56)
Tax expense for the year	–	–	–	–

Deferred tax asset has not been recognised in respect of the unutilised business loss of the general takaful fund of approximately Nil (2006: RM2,405,000) as the tax laws relating to takaful operators carrying on the Al Wakalah business model have not been formulated as of the date of this report.

32. Dividends

Group and Company	Amount		Net dividend per share	
	2007 RM'000	2006 RM'000	2007 Sen	2006 Sen
Dividend recognised as distribution to ordinary equity holders of the Company:				
Dividend paid in respect of the financial year ended 31 March 2005:				
Final dividend of 10% (comprising 6% less 28% tax and 4% tax exempt)	–	17,097	–	8.4
Dividend paid in respect of the financial year ended 31 March 2006:				
First interim dividend of 10% tax exempt	–	20,762	–	10.0
Second interim dividend of 10% tax exempt	–	20,883	–	10.0
Final dividend of 20% less 28% tax	30,375	–	14.4	–
Dividend paid in respect of the financial year ended 31 March 2007:				
First interim dividend of 15% tax exempt	31,730	–	15.0	–
Second interim dividend of 5% less 27% tax	7,733	–	3.7	–
	69,838	58,742	33.1	28.4

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 March 2007 of 26% less 27% tax based on the issued and paid-up share capital of 211,866,000 ordinary shares at the date of this report, amounting to a total dividend of RM40,212,000 (18.98 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2008.

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33. Segment Information on Cash Flow

	General reinsurance business RM'000	Shareholders' fund RM'000	Total RM'000
2007			
Group			
Net cash flow generated from/(used in):			
Operating activities	5,202	76,463	81,665
Investing activities	(5,582)	(6,518)	(12,100)
Financing activities	–	(61,370)	(61,370)
	(380)	8,575	8,195
Net (decrease)/increase in cash and bank balances			
At beginning of year	1,205	3,611	4,816
At end of year	825	12,186	13,011
	(380)	8,575	8,195
Company			
Net cash flow generated from/(used in):			
Operating activities	–	163,321	163,321
Investing activities	–	(101,957)	(101,957)
Financing activities	–	(61,370)	(61,370)
	–	(6)	(6)
Net decrease in cash and bank balances:			
At beginning of year	–	10	10
At end of year	–	4	4
	–	(6)	(6)
2006			
Group			
Net cash flow generated from/(used in):			
Operating activities	7,133	42,346	49,479
Investing activities	(5,838)	(2,738)	(8,576)
Financing activities	–	(41,488)	(41,488)
	1,295	(1,880)	(585)
Net (decrease)/increase in cash and bank balances			
At beginning of year	1,930	3,471	5,401
At end of year	1,204	3,612	4,816
	(726)	141	(585)

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33. Segment Information on Cash Flow (Cont'd)

2006 (Cont'd)	General reinsurance business RM'000	Shareholders' fund RM'000	Total RM'000
Company			
Net cash flow generated from/(used in):			
Operating activities	–	39,401	39,401
Investing activities	–	–	–
Financing activities	–	(41,488)	(41,488)
	–	(2,087)	(2,087)
Net decrease in cash and bank balances:			
At beginning of year	–	2,097	2,097
At end of year	–	10	10
	–	(2,087)	(2,087)

34. Earnings/(Loss) Per Share**Basic earnings/(loss) per share (“Basic EPS/(LPS)”)**

The basic EPS/(LPS) is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2007	2006	2007	2006
Shareholders' fund				
Net profit/(loss) for the year (RM'000)	129,479	115,183	131,312	(2,147)
Weighted average number of ordinary shares in issue ('000)	210,729	200,394	210,729	200,394
Basic EPS/(LPS) (sen)	61.4	57.5	62.3	(1.1)

Fully diluted earnings/(loss) per share (“Diluted EPS/(LPS)”)

In a diluted EPS/(LPS) calculation, the share options are assumed to have been exercised into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the “unpurchased” shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the year.

For computation of the diluted EPS/(LPS) in this financial year, the weighted average number of ordinary shares in issue was adjusted to assume conversion of the Company's ESOS, as follows:

	Group		Company	
	2007	2006	2007	2006
Net profit/(loss) for the year (RM'000)	129,479	115,183	131,312	(2,147)
Weighted average number of ordinary shares in issue ('000)	210,729	200,394	210,729	200,394
Assumed exercise of share options ('000)	539	934	539	934
Weighted average number of ordinary shares for diluted earnings per share ('000)	211,268	201,328	211,268	201,328
Diluted EPS/(LPS) (sen)	61.3	57.2	62.2	(1.1)

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35. Capital Commitments

Capital commitments of the Group and of the Company as at the financial year-end are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Authorised and contracted for:				
– software development costs	8,073	12,250	–	–
– subscription of additional preference shares in Inflexion PEF (Note 10)				
– Due within 1 year	2,631	1,834	–	–
– Due after 1 year	4,464	7,095	–	–
	15,168	21,179	–	–
Authorised but not contracted for:				
– acquisition of Motordata Research Consortium Sdn. Bhd.	–	1,728	–	1,728
	15,168	22,907	–	1,728

36. Significant Related Party Transactions

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Reinsurance transactions:				
Net reinsurance inwards from Malaysian Assurance Alliance Berhad, a company in which a former director, Y.M. Tunku Dato' Ya'acob bin Tunku Abdullah has interest *	–	16,218	–	–
Net reinsurance inwards from Mayban General Assurance Berhad, a company in which a substantial shareholder also has interest *	10,527	9,803	–	–
Net reinsurance inwards from Malaysian National Insurance Berhad, a company in which a substantial shareholder also has interest *	18,131	–	–	–
Net reinsurance outwards to Labuan Reinsurance (L) Limited, an associate	(1,358)	(862)	–	–
Net retakaful outwards to Labuan Reinsurance (L) Limited, an associate	(30)	(939)	–	–

Notes to the Financial Statements

– 31 March 2007

36. Significant Related Party Transactions (Cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other transactions:				
Interest income from Malayan Banking Berhad and Mayban Discounts Berhad, companies in which a director, Encik Mohammad bin Abdullah is also a director	1,600	1,820	–	122
Insurance premiums paid to Malaysian Assurance Alliance Berhad, a company in which a former director, Y.M. Tunku Dato' Ya'acob bin Tunku Abdullah has interest	–	(201)	–	(6)
Miscellaneous expenses paid on behalf of subsidiaries: Takaful contributions paid to Takaful Ikhlas Sdn. Bhd., a subsidiary	(457)	(403)	(12)	(6)
Management fees from the takaful funds of Takaful Ikhlas Sdn. Bhd., a subsidiary	36	43	36	43
Management fees from Malaysian Reinsurance Berhad, a subsidiary	–	–	705	623
Rental income from the takaful funds of Takaful Ikhlas Sdn. Bhd., a subsidiary	1,396	1,124	–	–
Rental income from Labuan Reinsurance (L) Limited, an associate	683	707	–	–

* A substantial portion of these related party transactions are in respect of quota share reinsurance arranged under the terms and conditions specified in the Voluntary Cession ("VC") Agreement ("the agreement") entered into by the general reinsurance subsidiary with all local general insurance companies. Under the agreement, all local general insurance companies are required to cede a portion of their business to the said subsidiary according to agreed percentages as specified in the agreement.

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

37. Significant Events**(a) Subscription of additional shares in Malaysian Reinsurance Berhad**

On 20 November 2006, the Company subscribed for an additional 100,000,000 new ordinary shares of RM1.00 each in its wholly owned reinsurance subsidiary, Malaysian Re. These shares were satisfied via the payment of cash amounting to RM80,000,000 and the conversion of the RM20,000,000 long term loan receivable from Malaysian Re to new ordinary shares of RM1.00 each, as described in Note 11.

(b) Incorporation of Malaysian Re (Dubai) Ltd.

On 7 December 2006, Malaysian Re subscribed for shares in its wholly owned subsidiary company named Malaysian Re (Dubai) Ltd. ("Malaysian Re (Dubai)") for a total cash consideration amounting to RM35,295.

Malaysian Re (Dubai) was incorporated under the laws of the Dubai International Financial Centre. It was issued with the Certificate of Incorporation and Commercial License on 7 December 2006. Its present issued and paid-up share capital is USD10,000.

– 31 March 2007

37. Significant Events (Cont'd)**(c) Incorporation of MNRB Retakaful Berhad**

On 27 December 2006, the Company acquired 100% of the issued and paid-up share capital of MNRB Retakaful Berhad for a cash consideration of RM2.00. The authorised share capital of MNRB Retakaful is RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is RM2.00, comprising 2 ordinary shares of RM1.00 each.

MNRB Retakaful was set up pursuant to an approval being obtained from Bank Negara Malaysia on 15 September 2006, in respect of the Group's application for a license to conduct the retakaful business under the Takaful Act, 1984. The Group plans to commence the retakaful business by July 2007.

38. Segment Information

Group	Reinsurance RM'000	Takaful Operator RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2007					
Revenue					
External	748,331	77,505	9,784	–	835,620
Inter-segment	5,429	–	143,225	(148,654)	–
					<u>835,620</u>
Results					
Segment results	95,719	5,583	754	(705)	101,351
Management expenses	(41,448)	(2,275)	(3,281)	635	(46,369)
Investment income	61,275	2,519	152,256	(147,949)	68,101
Other income/(expenses)	16,141	(4,337)	549	–	12,353
Profit from operations					135,436
Share of results of associate	9,163	–	45	–	9,208
Profit before zakat and tax					144,644
Zakat					(10)
Taxation					(15,155)
Net profit for the year					<u>129,479</u>
Assets					
Segment Assets					
Investments	1,106,664	53,703	102,571	–	1,262,938
Other assets	286,741	290,586	589,139	(588,235)	578,231
Investment in associates	120,096	–	1,771	–	121,867
					<u>1,963,036</u>
Liabilities and Takaful funds					
Segment Liabilities					
Provision for outstanding claims	596,261	38,116	–	–	634,377
Unearned premium reserves	241,218	32,294	–	–	273,512
Other liabilities	50,418	12,536	2,170	(8,129)	56,995
Takaful funds	–	189,675	–	–	189,675
					<u>1,154,559</u>
Other Information					
Capital expenditure	5,604	4,561	–	–	10,165
Depreciation	2,681	1,687	–	441	4,809
Amortisation	360	483	–	94	937
Net amortisation of premiums/ (accretion of discounts) in value of investments	4,099	(1,279)	27	–	2,847
Non-cash expenses other than depreciation and amortisation	(313)	4,544	–	–	4,231

Notes to the Financial Statements

– 31 March 2007

38. Segment Information (Cont'd)

Group	Reinsurance RM'000	Takaful Operator RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006					
Revenue					
External	682,348	57,775	8,571	–	748,694
Inter-segment	2,261	–	623	(2,884)	–
					<u>748,694</u>
Results					
Segment results	120,733	1,264	666	(2,884)	119,779
Management expenses	(39,917)	(3,232)	(3,092)	623	(45,618)
Investment income	52,284	2,848	8,528	–	63,660
Other income/(expenses)	4,616	(456)	21	–	4,181
Profit from operations					142,002
Share of results of associate	11,762	–	–	–	11,762
Profit before zakat and tax					153,764
Zakat					(7)
Taxation					(38,574)
Net profit for the year					<u>115,183</u>
Assets					
Segment Assets					
Investments	1,034,073	50,928	137,017	–	1,222,018
Other assets	259,416	165,752	501,474	(500,146)	426,496
Investment in associates	123,797	–	–	–	123,797
					<u>1,772,311</u>
Liabilities and Takaful funds					
Segment Liabilities					
Provision for outstanding claims	579,224	27,464	–	–	606,688
Unearned premium reserves	220,667	22,193	–	–	242,860
Other liabilities	81,909	11,319	16,804	(20,162)	89,870
Takaful funds	–	85,090	–	–	85,090
					<u>1,024,508</u>
Other Information					
Capital expenditure	5,128	3,611	–	–	8,739
Depreciation	1,663	1,612	–	–	3,275
Amortisation	–	1,506	–	–	1,506
Net amortisation of premiums/ (accretion of discounts) in value of investments	712	(472)	103	–	343
Non-cash expenses other than depreciation and amortisation	77	2,449	–	–	2,526

– 31 March 2007

39. Financial Instruments

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

(a) Underwriting Risk

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

In this respect, the Group complies with the guidelines imposed by Bank Negara Malaysia in managing and mitigating the overall underwriting risks.

(b) Credit Risk

Credit risk represents the loss that must be recognized, should counterparties to reinsurance and investment transactions fail to perform as contracted. In this respect, the Group's credit policy on the various aspect of risk exposures are as follows:

(i) Underwriting

The Group mitigates the credit risk on underwriting by the careful selection and evaluation of cedants, reinsurers and intermediaries who possess good security ratings as well as good payment records. Additionally, the Group further limits its exposure by imposing a limit on each counterparty. The credit risk of each cedant, reinsurer and intermediaries is then monitored on an ongoing basis.

(ii) Investment

The Group has a credit policy in place and credit risk exposures are monitored on an ongoing basis. It also includes the careful selection and evaluation of issuers of financial instruments and financial institutions.

The Group does not have any significant concentrations of credit risk that may arise from exposures to a single counterparty or financial instrument. The maximum exposures to credit risks for the Group are represented by the carrying value of its financial assets.

The Group invests mainly in low risks assets such as government securities and treasury bills, fixed and call deposits with licensed financial institutions, corporate debt securities and marketable securities. In this respect, the Group mitigates its credit risk of its debt securities portfolio by investing mainly in corporate debt securities with good ratings obtained from reputable rating agencies. The credit ratings of the Group's corporate debt securities portfolio based on their market values are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Rating of corporate debt securities on market value basis:				
A	44,903	21,871	–	–
AA	114,156	171,840	–	–
AAA/P1	178,351	107,150	–	26,080
Not rated, secured*	8,576	8,576	–	–
	345,986	309,437	–	26,080

* The investment relates to private debt securities of a state government corporation ("Corp.") held by Malaysian Re. The original investment was at RM10 million of the Corp.'s 2% Unsecured Bonds (rated AA3) which had defaulted in 2001. The Corp. was subsequently placed under the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia pursuant to the company's restructuring exercise undertaken in 2002. Following the restructuring scheme, the outstanding Corp.'s private debts securities were restructured and Malaysian Re's holdings in the said private debt securities have been restructured to various bonds which are partly guaranteed by the State Government and partly secured by assets.

– 31 March 2007

39. Financial Instruments (Cont'd)

(c) Interest/Profit Rate Risk

The Group's earnings are affected by fluctuations in market interest/profit rates due to the impact such changes have on the interest/profit income from fixed and call deposits with licensed financial institutions as well as other interest-bearing/profit-bearing investments. Towards this end, strict investment guidelines are used to monitor the Group's risks thereof. The Group's policy includes the assessment of the differences in maturities of assets and liabilities and the consequent reinvestment of interest-bearing/profit-bearing assets to meet medium to long term working capital requirements. As a result, the maintenance of a prudent mix of short and longer term interest-bearing/profit-bearing assets as well as continuous reviews of the portfolio mix are key factors in ensuring that returns generated from these assets are commensurate with the risk profiles of the instruments involved.

(d) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Nevertheless, the Group's foreign business portfolio represents only a small portion of the Group's total business.

Notwithstanding the above, exposures to foreign currency risks are monitored on an ongoing basis and sufficient relevant foreign assets are maintained as an effective hedge against foreign liabilities for the foreign business portfolio.

(e) Liquidity Risk

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

(f) Market Risk

The Group's investments in quoted securities and unit trust funds are subject to fluctuations in market prices. The Group occasionally engages in derivative financial instruments purely for hedging purposes, as and when the need arises.

The quoted securities portfolio of the Group consist of shares, warrants, TSRs and bonds issued by fundamentally sound corporations, and which have proven dividend payment track record. The Group has clear investment guidelines and trade authority limits to ensure that the funds invested are not exposed to significant risks.

(g) Fair Values

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

- (i) Investments in Malaysian Government Securities, Cagamas Bonds, unquoted corporate debt securities, short term commercial papers and institutional trust funds.

The market value of the above instruments are indicative of their fair values as at the balance sheet date and are determined as follows:

- Malaysian Government Securities and Cagamas Bonds – determined by reference to indicative market price as provided by Bank Negara Malaysia.
- Unquoted corporate debt securities and short term commercial papers – determined by reference to indicative market bid prices as provided by brokers.
- Institutional trust funds – determined by reference to the Net Assets Value of the funds as at the balance sheet date.

Information relating to market values of the instruments mentioned above is disclosed in Note 10 to the financial statements.

– 31 March 2007

39. Financial Instruments (Cont'd)

(g) Fair Values (Cont'd)

- (ii) Investments in subsidiaries, associates and unquoted shares

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

Information relating to the above investments are disclosed in Notes 8, 9 and 10 to the financial statements, respectively.

Financial assets and liabilities as at the balance sheet date that relate to rights and obligations arising from insurance contracts are not considered as they do not fall within the scope of Malaysian Accounting Standard Board Standard No. 132 ("FRS 132") on Financial Instruments: Disclosure and Presentation.

Analysis of Shareholdings

Share Capital

Authorised capital	:	500,000,000 ordinary shares
Issued and fully paid-up	:	211,978,500 ordinary shares of RM1.00 each
No. of Shareholders	:	3,619
Class of share	:	RM1.00 ordinary shares
Voting right	:	1 vote per ordinary share

Analysis by Size of Shareholdings

As at 21 June 2007

Size of Shareholdings	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
less than 100	29	0.80	448	0.00
100 to 1,000	1,773	48.99	1,710,208	0.81
1,001 to 10,000	1,393	38.49	5,763,800	2.72
10,001 to 100,000	348	9.62	11,310,600	5.33
100,001 to less than 5% of issued shares	73	2.02	50,597,444	23.87
5% and above of issued shares	3	0.08	142,596,000	67.27
Total	3,619	100.00	211,978,500	100.00

List of Substantial Shareholders (5% and above)

As at 21 June 2007

Names	Shareholdings	Percentage (%)
1. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD (Skim Amanah Saham Bumiputera)	103,185,700	48.68
2. PERMODALAN NASIONAL BERHAD	24,906,300	11.75
3. EMPLOYEES PROVIDENT FUND BOARD Employees Provident Fund Board (direct) 10,551,000 (4.98%) PHEIM Asset Management Sdn Bhd (Indirect) 3,250,000 (1.53%) Alliance Investment Management (Indirect) 703,000 (0.33%)	14,504,000	6.84

List of Thirty (30) Largest Shareholders

As at 21 June 2007

No	Names	Shareholdings	Percentage (%)
1.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD < Skim Amanah Saham Bumiputera >	103,185,700	48.68
2.	PERMODALAN NASIONAL BERHAD	24,906,300	11.75
3.	EMPLOYEES PROVIDENT FUND BOARD	10,551,000	4.98
4.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD < Amanah Saham Wawasan 2020 >	10,383,400	4.90
5.	MCIS ZURICH INSURANCE BERHAD	4,476,549	2.11
6.	MAYBAN NOMINEES (TEMPATAN) SDN BHD < Mayban General Assurance Berhad (Insurance Fund) >	3,887,251	1.83

Analysis of Shareholdings

List of Thirty (30) Largest Shareholders (cont) As at 21 June 2007

No	Names	Shareholdings	Percentage (%)
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD < PHEIM Asset Management Sdn Bhd For Employees Provident Fund >	3,250,000	1.53
8.	MALAYSIAN ASSURANCE ALLIANCE BERHAD	2,367,600	1.12
9.	JOHAN ENTERPRISE SDN BHD	2,230,000	1.05
10.	HONG LEONG ASSURANCE BERHAD < As Beneficial Owner (General Npar) >	1,942,149	0.92
11.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD < Skim Amanah Saham Nasional >	1,699,700	0.80
12.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD < MIDF Amanah Asset Management Berhad For Amanah Millenia Fund Berhad (JM730) >	1,552,000	0.73
13.	MALAYSIAN ASSURANCE ALLIANCE BERHAD	1,498,200	0.71
14.	JERNEH INSURANCE BHD	1,350,177	0.64
15.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD < AMB Unit Trust Fund >	1,321,700	0.62
16.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD < Amanah Saham Malaysia >	1,211,300	0.57
17.	CITIGROUP NOMINEES (ASING) SDN BHD < CBNY For DFA Emerging Markets Fund >	1,150,800	0.54
18.	CARTABAN NOMINEES (TEMPATAN) SDN BHD < MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd for Mitsui Sumitomo Insurance (Malaysia) Bhd (JS405B) >	1,000,000	0.47
19.	MAYBAN NOMINEES (TEMPATAN) SDN BHD < Malaysia National Insurance Berhad (General Fund) >	1,000,000	0.47
20.	SBB NOMINEES (TEMPATAN) SDN BHD < Pertubuhan Keselamatan Sosial >	731,100	0.34
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD < Alliance Investment Management For Employees Provident Fund >	703,000	0.33
22.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD < Amanah Saham Nasional 2 >	653,400	0.31
23.	ORIENTAL CAPITAL ASSURANCE BERHAD	613,453	0.29
24.	MAYBAN NOMINEES (TEMPATAN) SDN BHD < Malaysia National Insurance Berhad (Shareldr's Fd) >	550,094	0.26
25.	JERNEH INSURANCE BHD	549,900	0.26
26.	CARTABAN NOMINEES (TEMPATAN) SDN BHD < Exempt An For MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd (Account 1) >	506,628	0.24
27.	QUARRY LANE SDN BHD	500,000	0.24
28.	CITIGROUP NOMINEES (ASING) SDN BHD < CBNY for DFA Emerging Markets Small Cap Series >	455,000	0.21
29.	CARTABAN NOMINEES (TEMPATAN) SDN BHD < Petronas For Petroleum Research Fund >	410,500	0.19
30.	NEOH CHOO EE & COMPANY SDN. BERHAD	370,000	0.17

Analysis of Shareholdings

List of Directors' Shareholdings

As at 21 June 2007

No	Names of Directors	Shareholdings	Percentage %
1.	Encik Mohammad bin Abdullah	10,000	0.00
2.	Encik P. Raveenderen	10,000	0.00
3.	Encik Anuar Mohd Hassan	200,000	0.09
4.	Y.Bhg Dato' Syed Ariff Fadzillah bin Syed Awalluddin	0	0.00
5.	Tuan Haji Yusoff bin Yaacob	0	0.00
6.	Y.Bhg Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor	5,000	0.00
7.	Encik Sharkawi bin Alis	0	0.00
8.	Encik Azhar bin Abdul Wahab	0	0.00
9.	Tuan Haji Megat Dziauddin bin Megat Mahmud	0	0.00

Category of Shareholders

As at 21 June 2007

Type of Ownership	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Government Agencies	2	0.06	42,010	0.02
Individual	3,170	87.59	16,984,196	8.01
Companies	131	3.62	57,137,571	26.95
Nominees Company	316	8.73	137,814,723	65.01
Total	3,619	100.00	211,978,500	100.00

Material Contracts

There were no material contracts between the Company and its directors or substantial shareholders that are still subsisting at the end of the financial year or entered into since the end of the previous financial year.

List of Properties

Address	Date of acquisition	Description of properties	Tenure / Existing use / Age of buildings	Land area (sq. ft.) / Build-up area (sq. ft.)	Net book value as at 31/3/2007 (RM)
INVESTMENT PROPERTIES					
No. 15, Jalan Sri Hartamas 7 Taman Sri Hartamas 50480 Kuala Lumpur	14 July 1984	1 unit of 4 storey shophouse	Freehold / rented out 21 years	1,600 / 6,400	1,900,000
No. 17, Jalan Sri Hartamas 7 Taman Sri Hartamas 50480 Kuala Lumpur	14 July 1984	1 unit of 4 storey shophouse	Freehold / rented out 21 years	1,600 / 6,400	2,000,000
No. 45, Block A Medan Setia Satu Plaza Damansara Bukit Damansara 50490 Kuala Lumpur	30 April 2003	5 storey purpose build office / with commercial 2 storey basement car park	Freehold / rented out as office premises / 10 years	33,540 / 97,179	28,500,000
Total investment properties					32,400,000
SELF OCCUPIED PROPERTIES					
No. 14, Jalan 19/1 46300 Petaling Jaya Selangor	23 June 2000	1 unit of 6 storey factory / office building with 2 storey basement car park	Leasehold expiring in September 2063 / rented out as office premises / 11 years	44,812 / 173,193	18,924,415
No. D130 Tanjung Biru Condominium Port Dickson Negeri Sembilan	26 August 1982	1 unit of apartment	Freehold / staff & guest holiday accomodation / 19 years	Not applicable / 820	117,366
No. C420 Tanjung Biru Condominium Port Dickson Negeri Sembilan	4 April 1984	1 unit of apartment	Freehold / staff & guest holiday accomodation / 19 years	Not applicable / 820	90,798
No. 30, Ground Floor Jalan SS6/8, Kelana Jaya 47301 Petaling Jaya Selangor	2 June 1984	1 unit of 4 storey shophouse	Freehold / store 21 years	2,000 / 6,240	453,418
No. 17, Lorong Dungun Damansara Heights 50490 Kuala Lumpur	17 February 1995	1 unit of 12 storey building with 2 storey basement car park	Freehold / Office premises / rented out / 10 years	72,997 / 358,676	87,994,337
No. F41 & F45 Fraser's Pine Resort Fraser's Hill Pahang Darul Makmur	18 June 1984	2 unit of apartments	Leasehold expiring in May 2082 / staff & guest holiday accomodation / 9 years	Not applicable / 3,585	339,810
Total self occupied properties					107,920,144
PREPAID LAND LEASE PAYMENT					
No. 14, Jalan 19/1 46300 Petaling Jaya Selangor	23 June 2000	Leasehold land	Leasehold land expiring in September 2063 / 11 years	44,812	5,305,500
Total prepaid land lease payment					5,305,500

Number Of Shares Held

Proxy Form

I/We _____
of _____
being a member/members of MNRB HOLDINGS BERHAD hereby appoint _____
of _____
or failing him / her _____
of _____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Bangunan Malaysian Re, No. 17 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur on Monday, 30 July 2007 at 4.30 p.m and at any adjournment thereof, on the following resolutions referred to in the notice of Annual General Meeting

No.	Resolution	For	Against
1.	Adoption of Report of Directors and Financial Statements		
2.	Declaration of dividend		
3.	Re-election of Director – Y.Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin		
4.	Re-election of Director – Tuan Haji Yusoff bin Yaacob		
5.	Re-election of Director – Y.Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor		
6.	Re-election of Director – Tuan Haji Megat Dziauddin bin Megat Mahmud		
7.	Approval of Directors' remuneration		
8.	Re-appointment of Messrs Ernst & Young as Auditors		
9.	To authorize the Directors to issue shares under Section 132D of the Companies Act, 1965		

(Please indicate with a cross (X) in the spaces provided whether you wish your votes to be casted for or against the items above. In the absence of specific instructions, your proxy will vote or abstain as he / she thinks fit.)

Dated _____ day of _____ 2007

Signed

NOTE

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. An instrument appointing a proxy shall be in writing, and in the case of an individual shall be signed by the appointor or by his attorney, and in the case of a Corporation shall be either given under its common seal or signed on its behalf by its attorney or an officer of the Corporation so authorized. All proxies must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. Level 26, Menara Multipurpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time set for the Annual General Meeting or any adjournment thereof.

1st fold

Please affix
Stamp

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multipurpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

2nd fold and staple



BURSA MALAYSIA SECURITIES BERHAD

COMPLAINT AGAINST PUBLIC LISTED COMPANY

This form is intended to facilitate the lodgement of complaints with the Bursa Malaysia Securities Berhad ("Bursa Malaysia"), by investors against Public Listed Companies (PLCs) in Malaysia. Investors are encouraged, in the first instance, to amicably settle any differences directly with the PLC concerned.

Q: When can you make a complaint?

A: At anytime, preferably as soon as the problem occurs.

Below are some instances when a complaint may be lodged against a PLC:

- Misleading/inaccurate/insufficient disclosure of information;
- Failure to disclose material information in financial statements or annual reports;
- Actions/lack of actions detrimental to the interest of shareholders;
- Directors of PLCs;
- Management of PLCs;
- Share Registrars of PLCs; and
- Others (to specify)

Q: What are the procedures to make a complaint?

A: Procedures is very simple. For clarity, it is best to be in written form and directed to the Bursa Malaysia. You can use any of the following methods to submit your complaints:

- Mail the attached Complaint Form to Bursa Malaysia; or
- Fax the Complaint Form to 03-2732 5258

Q: How will Bursa Malaysia handle the complaint?

A: Bursa Malaysia will handle the matter promptly and in any event, will contact the complainant not later than 14 days from receipt of the complaint.

Details of Complainant

Name : _____ NIRC No : _____

CDS No : _____

Address : _____

Tel No: Home _____ Business _____ H/Phone _____

Details of Public Listed Company

Name : _____

Address : _____

Details of Complaints

Have you tried to resolve this complaint with the relevant Public Company?

Yes

No

If yes, kindly indicate the name of the person contacted and his/her department.

Type of Complaint

- Misleading/inaccurate/insufficient disclosure of information;
- Failure to disclose material information in financial statements or annual reports;
- Action/lack of actions detrimental to the interest of shareholders;

- Directors of PLCs;
- Managements of PLCs;
- Share Registrars of PLCs;
- Others (to specify):

If others, please specify:

MY COMPLAINT IS AS FOLLOWS

(Please provide a detailed account of the complaint in chronological order). You may type additional notes in a separate piece of paper.

Signature : _____

Date : _____

For Bursa Malaysia's use:

Ref. No : _____

Date Received : _____

Officer in charge : _____

Date of first contact with complaint: _____

Status after 14 days:

Resolved

Pending

Details:

Contact details:

Complaint Bureau,

Infrastructure Development, Projects & Services,

Bursa Malaysia Securities Berhad

10th Floor Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur

Tel : (03) 2732 0067 Fax : (03) 2732 5258