

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, 2006.

PRINCIPAL ACTIVITIES

The Company commenced its principal activities of investment holding and the provision of management services to its subsidiaries on 1 April, 2005 pursuant to the transfer of the reinsurance license, reinsurance business and net assets of the reinsurance business to its wholly-owned subsidiary, Malaysian Reinsurance Berhad.

The principal activities of the subsidiaries have been disclosed in Note 5 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.

RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the year	115,183	(2,147)

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

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 SHARE

During the financial year, the Company increased its issued and paid-up share capital from RM202,880,000 to RM208,908,000 by way of the issuance of 6,028,000 new ordinary shares of RM1.00 each fully paid at exercise prices of between RM2.84 and RM2.98 per ordinary share for cash pursuant to the Employees' Share Option Scheme ("ESOS").

The new ordinary shares of RM1.00 each issued and fully paid during the financial year rank pari passu in all respects with the Company's existing ordinary shares of RM1.00 each.

DIVIDENDS

The amount of dividends paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 March, 2005:	
Ordinary final dividend of 10.0% (6% less 28% tax and 4% tax exempt), paid on 24 August, 2005	17,097
In respect of the financial year ended 31 March, 2006:	
First interim dividend of 10.0% tax exempt, paid on 23 December, 2005	20,762
Second interim dividend of 10.0% tax exempt, paid on 30 March, 2006	20,883
	<u>58,742</u>

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 March, 2006 of 20% less 28% tax based on the issued and paid-up share capital of 208,908,000 ordinary shares at the date of this report, amounting to a total dividend of RM30,083,000 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, 2007.

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 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 the 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.
- (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.

Offer Date	Exercise price (RM)	Number of Share Options Under ESOS of RM1.00 each			At 31 March, 2006
		At 1 April, 2005	Granted	Exercised	
19 August, 2003	2.87	4,012,000	–	2,044,000	1,968,000
24 May, 2004	2.84	5,756,000	–	3,461,000	2,295,000
24 June, 2004	2.98	894,000	–	523,000	371,000

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

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
2006				
April, 2005 – March, 2006	2.87	3.38 – 3.92	2,044	5,866
	2.84	3.38 – 3.92	3,461	9,829
	2.98	3.38 – 3.92	523	1,559
			<hr/>	<hr/>
			6,028	17,254
			<hr/>	<hr/>
Less par value of ordinary shares				(6,028)
Share premium				<hr/>
				11,226
				<hr/>

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
Y. Bhg. Dato' Mohd. Taufik bin Dato' Abdullah
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
Y. M. Tunku Dato' Ya'acob bin Tunku Abdullah (resigned on 1 December, 2005)

In accordance with Article 86 of the Articles of Association of the Company, Encik Mohammad bin Abdullah, Encik Anuar bin Mohd Hassan and Encik P. Raveenderen retire by rotation and, being eligible, offer themselves 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, save for the options to subscribe for ordinary shares in the Company under the ESOS, granted to a director, as disclosed in the Directors' Interests note below.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 27 and 28 to the financial statements or the fixed salary of and benefits receivable as a full-time employee of the Company) by reason of a contract made by the Company with the 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, 2006
	1 April, 2005	Bought	Sold	
Direct Interest:				
Encik Mohammad bin Abdullah	10,000	-	-	10,000
Encik Anuar bin Mohd Hassan	25,000	-	-	25,000
Encik P. Raveenderen	10,000	-	-	10,000
Indirect Interest:				
Y. Bhg. Dato' Mohd. Taufik bin Dato' Abdullah	4,000	-	-	4,000

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:

	Exercise price (RM)	Number of Share Options Under ESOS of RM1.00 each		At 31 March, 2006
		At 1 April, 2005	Granted Exercised	
Encik Anuar bin Mohd Hassan	2.87	200,000	-	200,000
	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 AND SUBSEQUENT EVENTS

The significant events during the financial year and the subsequent events are as disclosed in Note 35 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:
- (i) require any amounts to be written off as bad debts or render the amount of provision for doubtful debts inadequate to any substantial extent; and
 - (ii) render the values attributed to 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.

OTHER STATUTORY INFORMATION (CONT'D)

- (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.
- (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
26 May, 2006

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 137 to 192 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March, 2006 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

Kuala Lumpur, Malaysia
26 May, 2006

Anuar bin Mohd Hassan

STATUTORY DECLARATION

pursuant to section 169(16) of the companies act, 1965

I, **Norazman bin Hashim**, 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 137 to 192 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 26 May, 2006.) **Norazman bin Hashim**

Before me,

Soh Ah Kau @ Soh Khoon Poh W315
Commissioner for 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 137 to 192. 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 MASB Approved Accounting 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, 2006 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 its subsidiaries 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' report 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

Kuala Lumpur, Malaysia
26 May, 2006

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

BALANCE sheet

as at 31 March, 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Property, plant and equipment	3	12,693	8,967	-	3,481
Deferred tax assets	4	8,300	6,500	-	6,500
Investments in subsidiaries	5	-	-	480,000	100,000
Investment in associate	6	123,797	117,231	-	75,658
Investments:					
- Deposits and placements with financial institutions	7(a)	257,538	515,083	76,688	474,907
- Other investments	7(b)	1,111,069	790,642	60,329	776,740
Loan to subsidiary	9	-	-	20,000	-
Loans receivable	10	14,713	16,827	691	15,730
Receivables	11	104,824	102,703	748	88,291
Due from subsidiaries	12	-	-	25	75
Cash and bank balances		1,305	2,227	10	2,097
Total general reinsurance business and shareholders' fund assets		1,634,239	1,560,180	638,491	1,543,479
General takaful fund assets (page 142)		54,370	29,555	-	-
Family takaful fund assets (page 144)		83,702	29,432	-	-
Total assets		1,772,311	1,619,167	638,491	1,543,479
LIABILITIES					
Provision for outstanding claims	13	579,224	593,830	-	593,830
Payables	14	52,267	41,261	863	36,277
Due to subsidiary	12	-	-	121	-
Provision for taxation		34,274	24,169	15,820	24,169
Zakat		4	-	-	-
Total general reinsurance business and shareholders' fund liabilities		665,769	659,260	16,804	654,276
General takaful fund liabilities (page 142)		32,176	15,350	-	-
Family takaful fund liabilities (page 144)		20,806	10,787	-	-
Total liabilities		718,751	685,397	16,804	654,276
INSURANCE RESERVES					
Unearned premium reserves	16	220,667	223,881	-	223,881
FINANCED BY:					
Share capital	17	208,908	202,880	208,908	202,880
Reserves		538,895	474,159	412,779	462,442
Total shareholders' funds		747,803	677,039	621,687	665,322
TAKAFUL FUNDS					
General takaful fund	19	22,194	14,205	-	-
Family takaful fund	21	62,896	18,645	-	-
Total takaful funds		85,090	32,850	-	-
Total liabilities, insurance reserves, shareholders' and takaful funds		1,772,311	1,619,167	638,491	1,543,479

The Company transferred its reinsurance license, business and net assets to its wholly-owned subsidiary, Malaysian Reinsurance Berhad on 1 April, 2005.

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

INCOME statements

for the year ended 31 March, 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	22	751,400	719,194	9,194	696,130
Shareholders' fund:					
Al Wakalah (deficit)/surplus arising from operations of:					
General takaful fund	23	(1,250)	(7,120)	-	-
Family takaful fund	23	2,516	(4,785)	-	-
Investment income	24	11,968	3,942	8,528	2,947
Management fees		43	-	666	-
Net other operating (expenses)/income	26	(435)	1,431	21	1,431
Management expenses:	27				
Company		(3,092)	(2,787)	(3,092)	(2,787)
Subsidiaries		(3,233)	(3,094)	-	-
		6,517	(12,413)	6,123	1,591
Surplus transferred from General Reinsurance Revenue Account (pages 139 and 140)		135,485	123,746	-	123,746
Share of profit of associate		11,762	11,207	-	-
Profit before zakat and taxation		153,764	122,540	6,123	125,337
Zakat		(7)	-	-	-
Taxation:	29	(38,574)	(32,517)	(8,270)	(33,405)
Company and subsidiaries		(38,570)	(32,513)	(8,270)	(33,405)
Associate		(4)	(4)	-	-
Net profit/(loss) for the year		115,183	90,023	(2,147)	91,932
Earnings/(loss) per share (sen):	32				
Basic		57	46	(1)	47
Diluted		57	46	(1)	47

The Company transferred its reinsurance license, business and net assets to its wholly-owned subsidiary, Malaysian Reinsurance Berhad on 1 April, 2005.

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

GENERAL reinsurance revenue account

for the year ended 31 March, 2006

Group	Note	Total		Fire		Motor		Marine, Aviation Et Transit		Miscellaneous ("Misc.")	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	22	<u>684,017</u>	<u>693,183</u>								
Gross premium		632,325	639,993	207,670	198,949	194,838	210,853	84,962	80,254	144,855	149,937
Less: Reinsurance		(79,258)	(85,444)	(25,289)	(32,835)	(3,111)	(2,659)	(37,358)	(35,837)	(13,500)	(14,113)
Net premium		553,067	554,549	182,381	166,114	191,727	208,194	47,604	44,417	131,355	135,824
Decrease/(increase) in unearned premium reserves	16	3,214	(11,174)	(6,931)	(7,619)	7,336	(4,097)	1,059	(58)	1,750	600
Earned premium		<u>556,281</u>	<u>543,375</u>	<u>175,450</u>	<u>158,495</u>	<u>199,063</u>	<u>204,097</u>	<u>48,663</u>	<u>44,359</u>	<u>133,105</u>	<u>136,424</u>
Net claims incurred	25	(295,656)	(307,258)	(89,552)	(70,516)	(140,179)	(143,591)	(14,160)	(30,317)	(51,765)	(62,834)
Net commission		(139,891)	(139,157)	(56,448)	(52,176)	(37,652)	(37,152)	(8,965)	(10,305)	(36,826)	(39,524)
		<u>(435,547)</u>	<u>(446,415)</u>	<u>(146,000)</u>	<u>(122,692)</u>	<u>(177,831)</u>	<u>(180,743)</u>	<u>(23,125)</u>	<u>(40,622)</u>	<u>(88,591)</u>	<u>(102,358)</u>
Underwriting contribution		120,734	96,960	<u>29,450</u>	<u>35,803</u>	<u>21,232</u>	<u>23,354</u>	<u>25,538</u>	<u>3,737</u>	<u>44,514</u>	<u>34,066</u>
Management expenses	27	<u>(39,298)</u>	<u>(35,145)</u>								
Underwriting surplus		81,436	61,815								
Investment income	24	49,431	53,190								
Net other operating income	26	4,695	7,863								
(Provision for)/write-back of provision for bad and doubtful debts		<u>(77)</u>	<u>878</u>								
Surplus transferred to Income Statement (page 138)		<u>135,485</u>	<u>123,746</u>								

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

GENERAL reinsurance revenue account

for the year ended 31 March, 2006 (cont'd)

Company	Note	Total		Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	22	-	693,183								
Gross premium		-	639,993	-	198,949	-	210,853	-	80,254	-	149,937
Less: Reinsurance		-	(85,444)	-	(32,835)	-	(2,659)	-	(35,837)	-	(14,113)
Net premium		-	554,549	-	166,114	-	208,194	-	44,417	-	135,824
(Increase)/decrease in unearned premium reserves	16	-	(11,174)	-	(7,619)	-	(4,097)	-	(58)	-	600
Earned premium		-	543,375	-	158,495	-	204,097	-	44,359	-	136,424
Net claims incurred	25	-	(307,258)	-	(70,516)	-	(143,591)	-	(30,317)	-	(62,834)
Net commission		-	(139,157)	-	(52,176)	-	(37,152)	-	(10,305)	-	(39,524)
		-	(446,415)	-	(122,692)	-	(180,743)	-	(40,622)	-	(102,358)
Underwriting contribution		-	96,960	-	35,803	-	23,354	-	3,737	-	34,066
Management expenses	27	-	(35,145)								
Underwriting surplus		-	61,815								
Investment income	24	-	53,190								
Net other operating income	26	-	7,863								
Write-back of provision for bad and doubtful debts		-	878								
Surplus transferred to Income Statement (page 138)		-	123,746								

The Company transferred its reinsurance license, business and net assets to its wholly-owned subsidiary, Malaysian Reinsurance Berhad on 1 April, 2005.

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

STATEMENTS of changes in equity

for the year ended 31 March, 2006

Group	Note	< -----Reserves----- >				Total RM'000
		Share capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	Distributable Retained profits RM'000	
At 31 March, 2004		195,934	73,181	38,342	309,553	617,010
Exercise of share options	17/18	6,946	12,886	-	-	19,832
Net profit for the year		-	-	-	90,023	90,023
Dividends	30	-	-	-	(49,826)	(49,826)
At 31 March, 2005		202,880	86,067	38,342	349,750	677,039
At 31 March, 2005		202,880	86,067	38,342	349,750	677,039
Exercise of share options	17/18	6,028	11,226	-	-	17,254
Net profit for the year		-	-	-	115,183	115,183
Dividends	30	-	-	-	(58,742)	(58,742)
Effects of post acquisition foreign exchange translation reserve on investment in associate	6	-	-	(2,931)	-	(2,931)
At 31 March, 2006		208,908	97,293	35,411	406,191	747,803

Company	Note	< -----Reserves----- >			Total RM'000
		Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	
At 31 March, 2004		195,934	73,181	334,269	603,384
Exercise of share options	17/18	6,946	12,886	-	19,832
Net profit for the year		-	-	91,932	91,932
Dividends	30	-	-	(49,826)	(49,826)
At 31 March, 2005		202,880	86,067	376,375	665,322
At 31 March, 2005		202,880	86,067	376,375	665,322
Exercise of share options	17/18	6,028	11,226	-	17,254
Net loss for the year		-	-	(2,147)	(2,147)
Dividends	30	-	-	(58,742)	(58,742)
At 31 March, 2006		208,908	97,293	315,486	621,687

The Company transferred its reinsurance license, businesses and net assets to its wholly-owned subsidiary, Malaysian Reinsurance Berhad on 1 April, 2005.

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

GENERAL takaful fund balance sheet

as at 31 March, 2006

	Note	2006 RM'000	2005 RM'000
ASSETS			
Investments:			
– Deposits and placements with financial institutions	7(c)	26,787	15,659
– Other investments	7(c)	16,561	4,697
Receivables	11	9,290	7,899
Cash and bank balances		1,732	1,300
Total general takaful fund assets (page 137)		54,370	29,555
LIABILITIES			
Provision for outstanding claims	13	23,876	7,433
Payables	14	3,669	2,662
Due to shareholders' fund	15	4,631	5,255
Total general takaful fund liabilities (page 137)		32,176	15,350
General takaful fund	19	22,194	14,205
Total liabilities and general takaful fund		54,370	29,555

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

GENERAL takaful fund revenue account

for the year ended 31 March, 2006

Group	Note	Total		Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross takaful contribution		54,579	27,984	4,294	2,385	46,727	23,620	391	-	3,167	1,979
Less: Retakaful		(4,543)	(1,279)	(2,244)	(502)	(1,078)	(348)	(53)	-	(1,168)	(429)
Net takaful contribution		50,036	26,705	2,050	1,883	45,649	23,272	338	-	1,999	1,550
(Increase)/decrease in unearned contributions reserve	20	(7,989)	(11,772)	230	(1,059)	(8,195)	(10,190)	(166)	-	142	(523)
Earned contribution		42,047	14,933	2,280	824	37,454	13,082	172	-	2,141	1,027
Net claims incurred	25	(27,368)	(10,397)	(1,116)	(131)	(25,321)	(9,655)	(140)	-	(791)	(611)
Commission on retakaful ceded		528	67	361	32	6	14	5	-	156	21
		(26,840)	(10,330)	(755)	(99)	(25,315)	(9,641)	(135)	-	(635)	(590)
Underwriting contribution		15,207	4,603	1,525	725	12,139	3,441	37	-	1,506	437
Al Wakalah fees	23	(16,707)	(5,338)								
Underwriting deficit		(1,500)	(735)								
Investment income		666	287								
Provision for bad and doubtful debts		(1,053)	(66)								
Net other operating expenses	26	(319)	-								
Taxation	29	-	56								
Deficit transferred to general takaful fund	19	(2,206)	(458)								

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

FAMILY takaful fund balance sheet

as at 31 March, 2006

	Note	2006 RM'000	2005 RM'000
ASSETS			
Investments			
– Deposits and placements with financial institutions	7(d)	41,490	20,558
– Other investments	7(d)	30,928	4,697
Receivables	11	9,505	2,303
Cash and bank balances		1,779	1,874
Total family takaful fund assets (page 137)		83,702	29,432
LIABILITIES			
Provision for outstanding claims	13	3,588	1,789
Payable	14	4,849	2,283
Due to Shareholders' fund	15	12,369	6,715
Total family takaful fund liabilities (page 137)		20,806	10,787
Family takaful fund	21	62,896	18,645
Total liabilities and family takaful fund		83,702	29,432

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

FAMILY takaful fund revenue account

for the year ended 31 March, 2006

	Note	2006 RM'000	2005 RM'000
Gross takaful contribution		92,114	38,490
Retakaful		(488)	(134)
Net takaful contribution		91,626	38,356
Benefits paid and payable:			
Death		(6,022)	(4,422)
Surrender		(156)	(27)
Others		(2,065)	(595)
Al Wakalah fees	23	(38,665)	(16,731)
Underwriting surplus		44,718	16,581
Investment income		1,055	354
Provision for bad and doubtful debts		(300)	(92)
Net other operating expenses	26	(356)	-
Surplus before taxation		45,117	16,843
Taxation	29	-	9
Surplus for the year		45,117	16,852
Family takaful fund at beginning of year		18,645	926
(Decrease)/increase in Qardhul Hasan		(866)	867
Family takaful fund at end of year	21	62,896	18,645

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

CASH FLOW statements

for the year ended 31 March, 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before zakat and taxation	153,764	122,540	6,123	125,337
Adjustments for:				
Write-back of provision for diminution in value of investments	(852)	(6,761)	-	(6,761)
Provision for diminution in value of investments	1,097	-	-	-
Impairment loss on investment in unquoted shares	4,759	-	-	-
Write-back of provision for bad and doubtful debts	-	(720)	-	(878)
Provision for bad and doubtful debts	1,430	-	-	-
Depreciation	4,781	5,765	-	2,684
Property, plant and equipment written off	114	20	-	-
Gain on disposal of property, plant and equipment	(45)	(339)	-	(339)
(Decrease)/increase in unearned premium reserves	(3,214)	11,174	-	11,174
Increase in unearned contribution reserves	7,989	11,772	-	-
Decrease/(increase) in placements with licensed financial institutions	252,990	(87,256)	398,219	(87,256)
(Increase)/decrease in marketable securities	(156,728)	523	113,644	523
Interest income	(35,473)	(31,927)	(4,779)	(31,927)
Investment income from Islamic investment accounts	(4,097)	(1,421)	-	-
Dividend income	(14,736)	(16,142)	(3,647)	(16,142)
Rental income	(9,903)	(9,406)	-	(9,406)
(Gain)/loss on disposal of investments	(9,789)	1,256	-	1,256
Purchase of other investments	(1,444,706)	(360,218)	(26,080)	(360,218)
Proceeds from disposal of investments	1,290,727	402,788	705,218	402,788
Increase in placements in Islamic investment accounts	(27,505)	(47,320)	-	-
Increase in Islamic papers	(41,829)	(18,254)	-	-
Share of profits of associate	(11,762)	(11,207)	-	-
Results of general takaful fund	(2,206)	637	-	-
Results of family takaful fund	45,117	16,843	-	-
(Loss)/profit from operations before changes in operating assets and liabilities	(77)	(17,653)	1,188,698	30,835
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)	-
Loan to subsidiary	-	-	(20,000)	-
Decrease/(increase) in loans receivable	2,179	(293)	15,103	(257)
(Increase)/decrease in amount due from brokers and ceding companies	(994)	4,806	75,772	4,806
(Increase)/decrease in other receivables, deposits and prepayments	(5,181)	(10,109)	3,572	(512)
Net change in balances with subsidiaries	-	-	171	(61)
Increase/(decrease) in provision for outstanding claims	2,985	18,201	(593,830)	10,902
Increase/(decrease) in amount due to brokers and retrocessionaires	9,075	1,112	(26,959)	1,112
Increase/(decrease) in other payables and accruals	5,983	5,757	(8,517)	519
Taxes and zakat paid	13,970	1,821	33,610	47,344
Interest received	(26,592)	(20,632)	(9,327)	(20,632)
Investment income received from Islamic investment accounts	35,347	32,654	11,285	32,654
Dividend received	3,957	1,133	-	-
Rental received	13,094	13,247	3,530	13,247
	9,703	9,164	303	9,164
Net cash generated from operating activities (Note 31)	49,479	37,387	39,401	81,777

CASH FLOW statements

for the year ended 31 March, 2006 (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Subscription of shares in subsidiary	-	-	-	(49,000)
Purchase of property, plant and equipment	(8,739)	(4,455)	-	(2,991)
Proceeds from disposal of property, plant and equipment	163	1,312	-	1,312
Net cash used in investing activities (Note 30)	(8,576)	(3,143)	-	(50,679)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	17,254	19,832	17,254	19,832
Dividends paid	(58,742)	(49,826)	(58,742)	(49,826)
Net cash used in financing activities (Note 31)	(41,488)	(29,994)	(41,488)	(29,994)
CASH AND BANK BALANCES				
Net (decrease)/increase during the year (Note 31)	(585)	4,250	(2,087)	1,104
At beginning of year	5,401	1,151	2,097	993
At end of year	4,816	5,401	10	2,097
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' fund	101	297	10	167
General reinsurance business	1,204	1,930	-	1,930
General takaful fund	1,732	1,300	-	-
Family takaful fund	1,779	1,874	-	-
	4,816	5,401	10	2,097

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

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

NOTES to the financial statements

– 31 March, 2006

1. CORPORATE INFORMATION

The Company commenced its principal activities of investment holding and the provision of management services to its subsidiaries on 1 April, 2005 pursuant to the transfer of the reinsurance license, reinsurance business and net assets of the reinsurance business to its wholly-owned subsidiary, Malaysian Reinsurance Berhad.

The principal activities of the subsidiaries have been disclosed in Note 5 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 458 and 11 (2005: 446 and 241) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 May, 2006.

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 and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

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.

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, 2006.

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 acquisition method of accounting. Under the acquisition 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation (cont'd)

(ii) Associate

An associate is a company in which the Group has equity interest and where it exercises significant influence through management participation.

The investment in associate is accounted for in the consolidated financial statements using the equity method of accounting based on the financial statements of the associate made up to the balance sheet date of the Company. Under the equity method of accounting, the Group's share of profits less losses of the associate during the year is included 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. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.9.

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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Shari'ah 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 Shariah. 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.

(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 are borne by the general takaful fund in the general takaful revenue account at an agreed percentage of the gross contribution. This is in accordance with the principles of Al Wakalah as approved by the Shariah Committee and is as agreed between the participants and the takaful subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.9.

Depreciation of other property, plant and equipment is provided on a straight-line basis calculated 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 1/3%
Office equipment	15%
Furniture and fittings	15%
Motor vehicles	20%

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Property, Plant and Equipment and Depreciation (cont'd)

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.

2.9 Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement and/or revenue account immediately.

2.10 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.

2.11 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.

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.

2.12 Investment Properties

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. Investment properties are not depreciated. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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.

2.14 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.

2.15 Foreign Currencies

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

The results of the associate are translated at the year end exchange rate with respect to the carrying amount of investment 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 shareholders' equity.

The principal exchange rate for every unit of United States Dollar ruling at balance sheet date used is RM3.705 (2005: RM3.800).

2.16 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 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 Shari'ah. The takaful subsidiary adopts the net current assets method of calculating zakat payable.

2.18 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, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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.

2.19 Cash and Cash Equivalents

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

2.20 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.

2.21 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.

2.22 Equity Instruments

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 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.

2.24 Balances with subsidiaries

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Computer Equipment RM'000	Furniture, Fittings and Office Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 April, 2005	13,965	14,942	1,942	30,849
Additions	6,109	2,630	–	8,739
Disposals	(9)	(175)	(509)	(693)
Write offs	–	(198)	–	(198)
At 31 March, 2006	20,065	17,199	1,433	38,697
Accumulated Depreciation				
At 1 April, 2005	9,268	11,927	687	21,882
Charge for the year	3,518	898	365	4,781
Disposals	(4)	(173)	(398)	(575)
Write offs	–	(84)	–	(84)
At 31 March, 2006	12,782	12,568	654	26,004
Net Book Value				
At 31 March, 2006	7,283	4,631	779	12,693
At 31 March, 2005	4,697	3,015	1,255	8,967
Details at 1 April, 2004				
Cost	12,022	13,999	2,690	28,711
Accumulated depreciation	5,757	10,215	1,469	17,441
Depreciation charge for 2005	3,595	1,753	417	5,765

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

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 5(a))	(7,732)	(11,546)	(1,533)	(20,811)
At 31 March, 2006	-	-	-	-
Accumulated Depreciation				
At 1 April, 2005	5,941	10,883	506	17,330
Transferred to subsidiary (Note 5(a))	(5,941)	(10,883)	(506)	(17,330)
At 31 March, 2006	-	-	-	-
Net Book Value				
At 31 March, 2006	-	-	-	-
At 31 March, 2005	1,791	663	1,027	3,481
Details at 1 April, 2004				
Cost	6,680	11,069	2,366	20,115
Accumulated depreciation	4,891	9,711	1,366	15,968
Depreciation charge for 2005	1,132	1,123	339	2,594

Included in property, plant and equipment of the Group and of the Company are the costs of fully depreciated assets which are still in use amounting to RM18,739,451 and RM Nil (2005 : RM5,433,777 and RM5,126,308) respectively.

4. DEFERRED TAX ASSETS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At beginning of year	6,500	9,400	6,500	9,400
Recognised in income statement (Note 29)	1,800	(2,900)	(6,500)	(2,900)
At end of year	8,300	6,500	-	6,500

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.

4. DEFERRED TAX ASSETS (CONT'D)

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

Group

	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
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

2005

At 1 April, 2004	5,615	2,336	692	504	253	9,400
Recognised in income statement	(1,948)	(1,446)	232	66	196	(2,900)
At 31 March, 2005	3,667	890	924	570	449	6,500

Company

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	-	-	-	-	-	-

2005

At 1 April, 2004	5,615	2,336	692	504	253	9,400
Recognised in income statement	(1,948)	(1,446)	232	66	196	(2,900)
At 31 March, 2005	3,667	890	924	570	449	6,500

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares in Malaysia, at cost	480,000	100,000

Details of the subsidiaries, both of which are incorporated in Malaysia, are as follows:

Company	Issued and Paid up Share Capital RM'000	Effective Interest		Principal Activity
		2006 %	2005 %	
Malaysian Reinsurance Berhad ("Malaysian Re")	380,000	100	100	Underwriting of all classes of general reinsurance business
Takaful Ikhlas Sdn. Bhd.	100,000	100	100	Underwriting of family and general takaful business

(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
	1,253,495
Liabilities	
Provision for outstanding claims	593,830
Payables	35,784
	629,614
Insurance Reserves	
Unearned premium reserves	223,881
Total net assets transferred	400,000
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
	400,000

6. INVESTMENT IN ASSOCIATE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares in Malaysia, at cost	75,658	75,658	-	75,658
Share of post acquisition retained profits	12,728	3,231	-	-
Post acquisition foreign exchange translation reserve *	35,411	38,342	-	-
	<u>123,797</u>	<u>117,231</u>	<u>-</u>	<u>75,658</u>
Represented by:				
Share of net assets	<u>123,797</u>	<u>117,231</u>		

The associate is Labuan Reinsurance (L) Ltd., a company incorporated in the Federal Territory of Labuan, Malaysia. The Group holds an effective interest of 20% (2005: 20%) in the associate. The associate is engaged principally in the underwriting of all classes of general reinsurance business in the Federal Territory of Labuan pursuant to a license given under the Offshore Insurance Act, 1990. Its financial year end is 31 December.

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

7. INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Deposits and placements with financial institutions				
Fixed and call deposits with licensed:				
Commercial banks	55,795	129,753	23,086	129,753
Finance companies	-	89,170	-	89,170
Investment banks	85,622	193,724	27,402	193,724
Discount houses	700	52,260	200	52,260
Other approved deposits	79,800	10,000	26,000	10,000
	<u>221,917</u>	<u>474,907</u>	<u>76,688</u>	<u>474,907</u>
Islamic investment accounts with licensed:				
Building society	19,000	20,000	-	-
Development bank	9,000	9,100	-	-
Islamic banks	2,000	-	-	-
Commercial banks	3,830	5,350	-	-
	<u>33,830</u>	<u>34,450</u>	<u>-</u>	<u>-</u>
Islamic repo placements	1,791	5,726	-	-
	<u>257,538</u>	<u>515,083</u>	<u>76,688</u>	<u>474,907</u>

7. INVESTMENTS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(b) Other investments				
Marketable securities:				
Securities purchased under repurchase agreements	48,685	50,205	-	50,205
Bankers' acceptance	147,876	-	33,335	-
Treasury bills	4,995	13,916	-	13,916
Malaysian Government Securities (Group: add net accretion of discounts of RM4,104,188 (2005: less amortisation of premiums of RM3,439,139)) (Company: Nil (2005: less amortisation of premiums of RM3,439,139))	102,151	82,858	-	82,858
	<u>303,707</u>	<u>146,979</u>	<u>33,335</u>	<u>146,979</u>
Others:				
Unquoted corporate debt securities (Group: less net amortisation of premiums of RM2,078,448 (2005: add net accretion of discounts of RM1,608,588)) (Company: add net accretion of discounts of RM1,080,319 (2005: RM1,608,588))	63,438	42,494	-	42,494
Bank guaranteed	20,096	20,113	-	20,113
Government guaranteed	8,576	8,576	-	8,576
Secured	227,938	151,256	26,080	151,256
Unsecured				
Islamic private debt securities (add net accretion of discounts of RM49,844 (2005: RM37,699))	15,678	13,842	-	-
Short term commercial papers	28,786	954	-	954
Quoted shares in Malaysia	199,266	181,182	914	181,182
Quoted shares outside Malaysia	922	922	-	922
Unquoted shares in Malaysia	50,333	49,262	-	49,262
Quoted loan stocks	524	524	-	524
Golf club memberships	110	110	-	50
Institutional trust fund	42,607	21,002	-	21,002
Capital guaranteed investment	20,000	20,000	-	20,000
Investment properties (Note 8)	146,589	146,589	-	146,589
	<u>824,863</u>	<u>656,826</u>	<u>26,994</u>	<u>642,924</u>
	<u>1,128,570</u>	<u>803,805</u>	<u>60,329</u>	<u>789,903</u>

7. INVESTMENTS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(b) Other investments (cont'd)				
Less: Provision for diminution in value of investments				
Quoted shares in Malaysia	(12,087)	(13,002)	-	(13,002)
Quoted shares outside Malaysia	(179)	(59)	-	(59)
Quoted loan stocks	(45)	(102)	-	(102)
Islamic private debt securities	(431)	-	-	-
Impairment loss on investment in unquoted shares	(4,759)	-	-	-
	<u>(17,501)</u>	<u>(13,163)</u>	<u>-</u>	<u>(13,163)</u>
	<u>1,111,069</u>	<u>790,642</u>	<u>60,329</u>	<u>776,740</u>
Market value of other investments:				
Malaysian Government Securities	101,608	81,866	-	81,866
Unquoted corporate debt securities	309,443	234,175	26,085	234,175
Islamic private debt securities	14,963	13,835	-	-
Short term commercial papers	28,786	954	-	954
Quoted shares in Malaysia	241,467	225,113	55,202	225,113
Quoted shares outside Malaysia	744	863	-	863
Quoted loan stocks	479	422	-	422
Institutional trust fund	42,607	21,002	-	21,002
Capital guaranteed investment	20,000	20,000	-	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 37(g).

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

	Group 2006 RM'000	Company 2006 RM'000	Group and Company 2005 RM'000
(i) 410,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	410	-	410
(ii) 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
	<u>49,262</u>	<u>-</u>	<u>49,262</u>
Less: Impairment loss	(4,759)	-	-
	<u>44,503</u>	<u>-</u>	<u>49,262</u>
(iii) 1,071 redeemable preference shares of RM1.00 each of Inflexion PEF Sdn. Bhd. ("Inflexion PEF"), issued at RM1,000 per share.	1,071	-	-
	<u>45,574</u>	<u>-</u>	<u>49,262</u>

7. INVESTMENTS (CONT'D)

The range of effective interest rates 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 Range of effective interest rates (per annum) 2006 %	Company Range of effective interest rates (per annum) 2006 %	Group and Company Range of effective interest rates (per annum) 2005 %
Deposits and placements with financial institutions:			
Fixed and call deposits with licensed financial institutions	2.75 – 3.90	2.75 – 3.30	0.75 – 3.70
Other approved deposits	4.03 – 6.80	3.30	6.80

Other investments:

Securities purchased under repurchase agreements	2.75 – 3.90	–	2.20 – 2.70
Bankers' acceptance	–	–	2.80 – 2.90
Malaysian Government Securities	4.31 – 8.60	–	3.70 – 8.60
Treasury bills	2.38 – 2.48	–	2.38 – 2.48
Unquoted corporate debt securities	1.00 – 8.30	5.50 – 6.95	2.88 – 8.30
Capital guaranteed investment	2.25	–	2.25

Group

2006	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	
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
	<u>142,117</u>	<u>79,800</u>	<u>–</u>	<u>221,917</u>
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
	<u>273,039</u>	<u>233,750</u>	<u>132,417</u>	<u>639,206</u>

7. INVESTMENTS (CONT'D)

Company

	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	
2006				
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
	<u>50,688</u>	<u>26,000</u>	<u>-</u>	<u>76,688</u>
Other investments:				
Bankers' acceptance	33,335	-	-	33,335
Unquoted corporate debt securities	-	15,403	10,677	26,080
	<u>33,335</u>	<u>15,403</u>	<u>10,677</u>	<u>59,415</u>
Group and Company				
2005				
Deposits and placements with financial institutions:				
Fixed and call deposits placed with licensed financial institutions	464,907	-	-	464,907
Other approved deposits	-	10,000	-	10,000
	<u>464,907</u>	<u>10,000</u>	<u>-</u>	<u>474,907</u>
Other investments:				
Securities purchased under repurchase agreements	50,205	-	-	50,205
Treasury bills	13,916	-	-	13,916
Malaysian Government Securities	-	52,527	30,331	82,858
Unquoted corporate debt securities	32,969	88,544	100,926	222,439
Short term commercial papers	954	-	-	954
Capital guaranteed investment	-	20,000	-	20,000
	<u>98,044</u>	<u>161,071</u>	<u>131,257</u>	<u>390,372</u>

The range of effective profit rate during the financial year of the Islamic investments of the Group as at 31 March, 2006 is between 3.05% to 6.82% (2005: 2.65% to 6.35%) per annum.

7. INVESTMENTS (CONT'D)

(b) Other investments (cont'd)

The maturity profile of the Islamic investments of the Group is as follows:

	2006 RM'000	2005 RM'000
1 year or less	40,589	38,176
1 year to 5 years	10,279	15,842
	<u>50,868</u>	<u>54,018</u>

(c) Group – General takaful fund

	2006 RM'000	2005 RM'000
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	9,300	5,700
Islamic banks	9,607	4,000
Commercial banks	4,840	5,050
Islamic repo placements	3,040	909
	<u>26,787</u>	<u>15,659</u>
Other investments:		
Khazanah Nasional Berhad bonds	5,212	2,122
Islamic Cagamas bonds	2,503	2,503
Government investment issues	2,848	-
Islamic private debt securities	6,064	-
Net accretion of discounts	267	72
	<u>16,894</u>	<u>4,697</u>
Provision for diminution in value	(333)	-
	<u>16,561</u>	<u>4,697</u>
Market value of other investments:		
Khazanah Nasional Berhad bonds	5,481	2,538
Islamic Cagamas bonds	2,530	2,245
Government investment issues	2,852	-
Islamic private debt securities	5,561	-
	<u>16,424</u>	<u>4,783</u>

7. 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
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
	<u>26,787</u>	<u>-</u>	<u>26,787</u>
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
	<u>-</u>	<u>16,561</u>	<u>16,561</u>
2005			
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	5,700	-	5,700
Islamic banks	4,000	-	4,000
Commercial banks	5,050	-	5,050
Islamic repo placements	909	-	909
	<u>15,659</u>	<u>-</u>	<u>15,659</u>
Other investments:			
Khazanah Nasional Berhad bonds	-	2,164	2,164
Islamic Cagamas bonds	-	2,533	2,533
	<u>-</u>	<u>4,697</u>	<u>4,697</u>

7. INVESTMENTS (CONT'D)

(d) Group – Family takaful fund

	2006 RM'000	2005 RM'000
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	10,000	10,750
Islamic banks	8,390	1,000
Commercial banks	11,895	5,500
Islamic repo placements	11,205	3,308
	<u>41,490</u>	<u>20,558</u>
Other investments:		
Khazanah Nasional Berhad bonds	7,821	2,122
Islamic Cagamas bonds	2,503	2,503
Government investment issues	6,595	-
Islamic private debt securities	13,944	-
Net accretion of discounts	398	72
	<u>31,261</u>	<u>4,697</u>
Provision for diminution in value	(333)	-
	<u>30,928</u>	<u>4,697</u>
Market value of other investments:		
Khazanah Nasional Berhad bonds	8,120	2,538
Islamic Cagamas bonds	2,530	2,245
Government investment issues	6,609	-
Islamic private debt securities	13,448	-
	<u>30,707</u>	<u>4,783</u>

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

2006	1 year or less RM'000	1 year to 5 years RM'000	Total RM'000
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
	<u>41,490</u>	<u>-</u>	<u>41,490</u>
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
	<u>-</u>	<u>30,928</u>	<u>30,928</u>

7. INVESTMENTS (CONT'D)

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

2005	1 year or less RM'000	1 year to 5 years RM'000	Total RM'000
Deposits and placements with financial institutions:			
Islamic investment accounts with licensed:			
Development bank	10,750	-	10,750
Islamic banks	1,000	-	1,000
Commercial banks	5,500	-	5,500
Islamic repo placements	3,308	-	3,308
	<u>20,558</u>	<u>-</u>	<u>20,558</u>
Other investments:			
Khazanah Nasional Berhad bonds	-	2,164	2,164
Islamic Cagamas bonds	-	2,533	2,533
	<u>-</u>	<u>4,697</u>	<u>4,697</u>

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 37(g).

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:

2006	General takaful fund % per annum	Family takaful fund % per annum
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
	<u>3.10</u>	<u>3.15</u>
Other investments:		
Islamic Cagamas bonds	4.20	4.20
Government investment issues	3.38	3.36
Islamic private debt securities	6.10	5.57
	<u>4.56</u>	<u>4.38</u>
2005		
Deposits and placements with financial institutions:		
Islamic investment accounts with licensed:		
Development bank	3.38	3.26
Islamic banks	3.43	2.90
Commercial banks	3.35	3.09
Islamic repo placements	2.66	2.65
	<u>3.21</u>	<u>3.00</u>
Other investments:		
Islamic Cagamas bonds	4.15	5.91
	<u>4.15</u>	<u>5.91</u>

8. INVESTMENT PROPERTIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Leasehold land and buildings:				
- at net book value	460	460	-	460
- at cost	24,764	24,764	-	24,764
Freehold land and buildings:				
- at net book value	2,024	2,024	-	2,024
- at cost	119,495	119,495	-	119,495
Less: Impairment losses	146,743 (154)	146,743 (154)	-	146,743 (154)
	<u>146,589</u>	<u>146,589</u>	<u>-</u>	<u>146,589</u>

9. 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 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 5(a).

The remaining balance of the purchase consideration amounting to RM380,000,002 was settled via the issuance of 380,000,000 new ordinary shares in the subsidiary and cash of RM2.

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

10. LOANS RECEIVABLE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured staff loans:				
Receivable within 12 months	1,872	2,017	99	1,689
Receivable after 12 months	12,841	14,810	592	14,041
	<u>14,713</u>	<u>16,827</u>	<u>691</u>	<u>15,730</u>

The weighted average interest rate for interest-bearing staff loans of the Group and of the Company as at 31 March, 2006 was 2.76% (2005: 2.71%) per annum respectively.

10. LOANS RECEIVABLE (CONT'D)

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:

	2006 RM'000	2005 RM'000
Staff loans receivable within 12 months	353	328
Staff loans receivable after 12 months	521	769
	<u>874</u>	<u>1,097</u>

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 RM246,000 (2005: RM324,000), 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.

11. RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables:				
Amount due from brokers and ceding companies	71,000	79,070	-	79,070
Provision for doubtful debts	(3,376)	(3,298)	-	(3,298)
	<u>67,624</u>	<u>75,772</u>	<u>-</u>	<u>75,772</u>
Other receivables:				
Qardhul Hasan: *				
General takaful fund (Note 15)	3,043	837	-	-
Family takaful fund (Note 15)	-	867	-	-
Due from: **				
General takaful fund	4,631	5,255	-	-
Family takaful fund	12,369	6,715	-	-
Income due and accrued	7,655	8,292	264	7,780
Other receivables, deposits and prepayments	9,502	4,965	484	4,739
	<u>37,200</u>	<u>26,931</u>	<u>748</u>	<u>12,519</u>
	<u>104,824</u>	<u>102,703</u>	<u>748</u>	<u>88,291</u>

* 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.

11. RECEIVABLES (CONT'D)

Group	General takaful fund		Family takaful fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables:				
Contributions receivable	8,787	6,948	9,429	2,279
Due from agents, retakaful operators and brokers	1,298	823	–	–
Provision for doubtful debts	(1,119)	(66)	(392)	(92)
	<u>8,966</u>	<u>7,705</u>	<u>9,037</u>	<u>2,187</u>
Other receivables:				
Investment income receivable	236	185	365	84
Others	88	9	103	32
	<u>324</u>	<u>194</u>	<u>468</u>	<u>116</u>
	<u>9,290</u>	<u>7,899</u>	<u>9,505</u>	<u>2,303</u>

12. 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.

13. PROVISION FOR OUTSTANDING CLAIMS

Group	General reinsurance business			
	2006 RM'000	2005 RM'000		
Gross provision for outstanding claims	705,636	732,881		
Less: Claims recoverable from reinsurers and ceding companies	(126,412)	(139,051)		
Net provision for outstanding claims	<u>579,224</u>	<u>593,830</u>		
Company				
Gross provision for outstanding claims	–	732,881		
Less: Claims recoverable from reinsurers and ceding companies	–	(139,051)		
Net provision for outstanding claims	<u>–</u>	<u>593,830</u>		
Group	General takaful fund		Family takaful fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross provision for outstanding claims	24,177	7,578	3,588	2,010
Less: Recoverable from retakaful	(301)	(145)	–	(221)
Net provision for outstanding claims	<u>23,876</u>	<u>7,433</u>	<u>3,588</u>	<u>1,789</u>

14. PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables:				
Due to brokers and retrocessionaires	28,943	26,959	-	26,959
Due to agents, retakaful operators and brokers	1,632	1,323	-	-
	<u>30,575</u>	<u>28,282</u>	<u>-</u>	<u>26,959</u>
Other payables:				
Sundry payables and accruals	21,692	12,979	863	9,318
	<u>52,267</u>	<u>41,261</u>	<u>863</u>	<u>36,277</u>

Included in other payables of the Group and of the Company are provision for short term accumulating compensated absences amounting to RM148,000 (2005: RM321,000) and RM Nil (2005: RM229,000) respectively.

Group	General takaful fund		Family takaful fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables:				
Due to agents, retakaful operators and co-insurers	428	118	111	89
Other payables:				
Deposit contributions	1,490	1,783	4,161	2,041
Other accruals and payables	1,751	761	577	153
	<u>3,241</u>	<u>2,544</u>	<u>4,738</u>	<u>2,194</u>
	<u>3,669</u>	<u>2,662</u>	<u>4,849</u>	<u>2,283</u>

15. DUE TO SHAREHOLDERS' FUND – General and Family takaful funds

Included in amounts due to shareholders' fund in the general and family takaful balance sheets are Qardhul Hasan loans amounting to RM3,043,000 (2005: RM837,000) and RM Nil (2005: RM867,000) respectively, to make good the deficits in the general and family takaful funds. The amounts due to shareholders' fund in the general and family takaful funds are unsecured, not subject to any profit elements and have no fixed terms of repayment.

16. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
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	<u>70,792</u>	<u>77,544</u>	<u>20,586</u>	<u>51,745</u>	<u>220,667</u>
Company					
At 1 April, 2005	63,861	84,880	21,645	53,495	223,881
Transferred to subsidiary (Note 5(a))	(63,861)	(84,880)	(21,645)	(53,495)	(223,881)
At 31 March, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2005					
Group and Company					
At 1 April, 2004	56,242	80,783	21,587	54,095	212,707
Increase/(decrease) in unearned premium reserves	7,619	4,097	58	(600)	11,174
At 31 March, 2005	<u>63,861</u>	<u>84,880</u>	<u>21,645</u>	<u>53,495</u>	<u>223,881</u>

17. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	202,880	195,934	202,880	195,934
Issued during the year (Note 18)	6,028	6,946	6,028	6,946
At end of year	<u>208,908</u>	<u>202,880</u>	<u>208,908</u>	<u>202,880</u>

During the financial year, the Company increased its issued and paid-up share capital from RM202,880,000 to RM208,908,000 by way of issuance of 6,028,000 (2005: 6,946,000) ordinary shares of RM1 each under the ESOS at an average exercise price of RM2.87 (2005: RM2.86) each. The share premium arising, after deducting transaction costs of RM72,000 (2005: RM Nil), amounted to RM11,226,000 (2005: RM12,886,000) and this has been credited to the share premium account as disclosed in Note 18. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

18. SHARE PREMIUM

	2006 RM'000	2005 RM'000
At beginning of year	86,067	73,181
Issue of 6,028,000 (2005: 6,946,000) ordinary shares at an average premium of approximately RM1.87 (2005: RM1.86) per share under the ESOS after deducting transaction costs of RM72,000 (2005: RM Nil)	11,226	12,886
At end of year	<u>97,293</u>	<u>86,067</u>

19. GENERAL TAKAFUL FUND

Group	2006 RM'000	2005 RM'000
At 1 April, 2005/2004	14,205	2,458
Underwriting deficit during the year	(2,206)	(458)
Increase in unearned contribution reserves (Note 20)	7,989	11,772
Increase in Qardhul Hasan (Note 15)	2,206	433
At 31 March	<u>22,194</u>	<u>14,205</u>

20. UNEARNED CONTRIBUTION RESERVES

Group – General takaful fund

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2006					
At 1 April, 2005	1,155	12,482	-	567	14,204
(Decrease)/increase during the year (Note 19)	(230)	8,195	166	(142)	7,989
At 31 March	<u>925</u>	<u>20,677</u>	<u>166</u>	<u>425</u>	<u>22,193</u>
2005					
At 1 April, 2004	96	2,292	-	44	2,432
Increase during the year (Note 19)	1,059	10,190	-	523	11,772
At 31 March	<u>1,155</u>	<u>12,482</u>	<u>-</u>	<u>567</u>	<u>14,204</u>

21. FAMILY TAKAFUL FUND

Based on the actuarial valuation of the family takaful fund made up to 31 March, 2006, 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	
	2006 RM'000	2005 RM'000
At 1 April, 2005/2004	18,645	926
Surplus during the year	45,117	16,852
(Decrease)/increase in Qardhul Hasan (Note 15)	(866)	867
	<u>62,896</u>	<u>18,645</u>
At 31 March		
Family takaful fund as at 31 March	62,896	18,645
Liability to certificate holders as established by actuarial valuation as at 31 March	(61,356)	(18,494)
	<u>1,540</u>	<u>151</u>
Surplus for the year	45,117	16,852
Increase in certificate reserves	(42,862)	(17,572)
Surplus/(deficit) arising during the year	2,255	(720)
Unallocated surplus brought forward	151	4
	<u>2,406</u>	<u>(716)</u>
(Decrease)/increase in Qardhul Hasan (Note 15)	(866)	867
Unallocated surplus carried forward	<u>1,540</u>	<u>151</u>

22. OPERATING REVENUE

2006	Shareholders' fund RM'000	General reinsurance business RM'000	Total RM'000
Group			
Gross premium	-	632,325	632,325
Management fees	43	-	43
Al Wakalah fees:			
General takaful fund (Note 23)	16,707	-	16,707
Family takaful fund (Note 23)	38,665	-	38,665
Investment income (Note 24)	11,968	51,692	63,660
	<u>67,383</u>	<u>684,017</u>	<u>751,400</u>
Company			
Gross premium	-	-	-
Investment income (Note 24)	8,528	-	8,528
Management fees	666	-	666
	<u>9,194</u>	<u>-</u>	<u>9,194</u>

22. OPERATING REVENUE (CONT'D)

2005	Shareholders' fund	General reinsurance business	Total
Group	RM'000	RM'000	RM'000
Gross premium	-	639,993	639,993
Al Wakalah fees:			
General takaful fund (Note 23)	5,338	-	5,338
Family takaful fund (Note 23)	16,731	-	16,731
Investment income (Note 24)	3,942	53,190	57,132
	<u>26,011</u>	<u>693,183</u>	<u>719,194</u>
Company			
Gross premium	-	639,993	639,993
Investment income (Note 24)	2,947	53,190	56,137
	<u>2,947</u>	<u>693,183</u>	<u>696,130</u>

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

Group	General takaful fund		Family takaful fund	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Al Wakalah fees (Note 22)	16,707	5,338	38,665	16,731
Management expenses (Note 27)	(17,957)	(12,458)	(36,149)	(21,516)
	<u>(1,250)</u>	<u>(7,120)</u>	<u>2,516</u>	<u>(4,785)</u>

24. INVESTMENT INCOME

Shareholders' fund	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Gross dividends from shares quoted in Malaysia	3,647	173	3,647	173
Investment income from Islamic investments	2,829	957	-	-
Interest income:				
Fixed and call deposits with licensed financial institutions	4,758	2,198	4,188	2,198
Other approved deposits	102	-	101	-
Unquoted corporate debt securities	33	416	33	416
Short term commercial papers	469	-	457	-
Rental income	-	184	-	184
Net accretion of discounts/(amortisation of premiums)	130	14	102	(24)
	<u>11,968</u>	<u>3,942</u>	<u>8,528</u>	<u>2,947</u>

24. INVESTMENT INCOME (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
General reinsurance business				
Gross dividends from shares quoted in Malaysia	11,089	15,969	-	15,969
Interest income:				
Malaysian Government Securities	5,682	4,774	-	4,774
Treasury Bills	-	140	-	140
Malaysian Government guaranteed bonds	760	760	-	760
Cagamas bonds	-	135	-	135
Capital guaranteed investment	450	176	-	176
Fixed and call deposits with licensed financial institutions	5,618	12,643	-	12,643
Other approved deposits	1,245	112	-	112
Unquoted corporate debt securities	12,030	10,132	-	10,132
Short term commercial papers	1,803	441	-	441
Institutional trust fund	1,760	-	-	-
Other investments	15	-	-	-
Rental income	9,903	9,222	-	9,222
Net amortisation of premiums	(721)	(1,314)	-	(1,314)
Investment expenses	(203)	-	-	-
	<u>49,431</u>	<u>53,190</u>	<u>-</u>	<u>53,190</u>

25. NET CLAIMS INCURRED

	General reinsurance business				
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
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)	<u>89,552</u>	<u>140,179</u>	<u>14,160</u>	<u>51,765</u>	<u>295,656</u>
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 5(a)) (d)	(101,492)	(261,850)	(60,212)	(170,276)	(593,830)
Net claims incurred (a+b-c-d)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

25. 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
2005					
Group and Company					
Gross claims paid	80,193	164,221	38,249	75,981	358,644
Reinsurance recoveries	(11,941)	(28,820)	(9,532)	(11,995)	(62,288)
Net claims paid (a)	68,252	135,401	28,717	63,986	296,356
Net outstanding claims:					
At end of year (b)	101,492	261,850	60,212	170,276	593,830
At beginning of year (c)	99,228	253,660	58,612	171,428	582,928
Net claims incurred (a+b-c)	70,516	143,591	30,317	62,834	307,258
Group - General takaful fund					
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
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
2005					
Net claims paid (a)	-	3,506	-	11	3,517
Net outstanding claims:					
At end of year (b)	134	6,696	-	603	7,433
At beginning of year (c)	(3)	(547)	-	(3)	(553)
Net claims incurred (a+b-c)	131	9,655	-	611	10,397

26. NET OTHER OPERATING (EXPENSES)/INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Shareholders' fund				
Loss on disposal of investments	(25)	(141)	-	(141)
Writeback of provision for diminution in value of investments	-	744	-	744
Provision for diminution in value of investments	(431)	-	-	-
Gain on disposal of property, plant and equipment	-	339	-	339
Sundry income	21	489	21	489
	<u>(435)</u>	<u>1,431</u>	<u>21</u>	<u>1,431</u>
General reinsurance business				
Gain/(loss) on disposal of investments	9,823	(1,115)	-	(1,115)
Writeback of provision for diminution in value of investments	852	6,017	-	6,017
Gain on disposal of property, plant and equipment	45	-	-	-
Other interest income	748	-	-	-
Impairment loss on investment in unquoted shares	(4,759)	-	-	-
(Loss)/gain on foreign exchange	(3,219)	228	-	228
Sundry income	1,205	2,733	-	2,733
	<u>4,695</u>	<u>7,863</u>	<u>-</u>	<u>7,863</u>
Group				
	General takaful fund	Family takaful fund		
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposal of investments	14	-	(23)	-
Provision for diminution in value of investments	(333)	-	(333)	-
	<u>(319)</u>	<u>-</u>	<u>(356)</u>	<u>-</u>

27. MANAGEMENT EXPENSES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Shareholders' fund				
Depreciation	3,118	5,765	-	2,684
Property, plant and equipment written off	114	20	-	-
Non-executive directors' remuneration (Note 28)	466	-	466	-
Auditors' remuneration				
- statutory audit	5	-	5	-
- other services	3	-	3	-
Other expenses	2,619	96	2,618	103
	<u>6,325</u>	<u>5,881</u>	<u>3,092</u>	<u>2,787</u>
Breakdown of shareholders' fund management expenses:				
Company	3,092	2,787	3,092	2,787
Subsidiaries	3,233	3,094	-	-
	<u>6,325</u>	<u>5,881</u>	<u>3,092</u>	<u>2,787</u>

27. MANAGEMENT EXPENSES (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
General reinsurance business				
Staff costs:				
Executive directors' remuneration (Note 28)	2,646	2,254	-	1,211
Pension costs – EPF	2,549	2,337	-	2,486
Retirement benefits	2,550	1,482	-	1,546
Short term accumulating compensated absences	97	53	-	53
Salaries, bonus and other related costs	18,619	13,762	-	14,592
	<u>23,815</u>	<u>19,888</u>	<u>-</u>	<u>19,888</u>
Non-executive directors' remuneration (Note 28)	-	536	-	536
Auditors' remuneration				
– statutory audit	90	75	-	75
– other services	5	5	-	5
Insurance levy	1,224	1,228	-	1,228
Depreciation	1,663	-	-	-
Office rental	5,602	-	-	-
Other expenses	6,899	13,413	-	13,413
	<u>39,298</u>	<u>35,145</u>	<u>-</u>	<u>35,145</u>
			Group	
			2006	2005
			RM'000	RM'000
General takaful fund				
Staff costs:				
Executive director's remuneration (Note 28)			392	356
EPF			779	643
Short-term accumulating compensated absences			(45)	(55)
Salaries, bonus and other related costs			5,918	4,460
			<u>7,044</u>	<u>5,404</u>
Non-executive directors' remuneration (Note 28)			120	124
Auditors' remuneration				
– statutory audit			14	9
– other services			3	3
Office rental			817	880
Management fees			26	-
Other expenses			4,308	3,482
Commissions paid to agents			5,625	2,556
			<u>17,957</u>	<u>12,458</u>

27. MANAGEMENT EXPENSES (CONT'D)

	Group	
	2006 RM'000	2005 RM'000
Family takaful fund		
Staff costs:		
Executive director's remuneration (Note 28)	261	237
EPF	733	614
Short-term accumulating compensated absences	(30)	(36)
Salaries, bonus and other related costs	5,549	4,483
	<hr/>	<hr/>
	6,513	5,298
Non-executive directors' remuneration (Note 28)	80	82
Auditors' remuneration		
- statutory audit	11	6
- other services	2	2
Office rental	562	587
Management fees	17	-
Other expenses	4,898	3,560
Commissions paid to agents	24,066	11,981
	<hr/>	<hr/>
	36,149	21,516
	<hr/>	<hr/>

28. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Shareholders' fund				
Non-executive directors of the Company:				
Fees	376	-	376	-
Allowances and other emoluments	90	-	90	-
	<hr/>	<hr/>	<hr/>	<hr/>
	466	-	466	-
	<hr/>	<hr/>	<hr/>	<hr/>
General reinsurance business				
Non-executive director of the Company: *				
Salaries and bonus	1,104	908	-	908
Pension costs - EPF	192	173	-	173
Retirement benefits	164	130	-	130
Benefits-in-kind	38	46	-	46
	<hr/>	<hr/>	<hr/>	<hr/>
	1,498	1,257	-	1,257
	<hr/>	<hr/>	<hr/>	<hr/>
Director of the Takaful subsidiary: **				
Salaries and bonus	806	620	-	-
Pension costs - EPF	148	149	-	-
Retirement benefits	94	64	-	-
Allowances	138	210	-	-
Benefits-in-kind	11	17	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,197	1,060	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total executive directors' remuneration	2,695	2,317	-	1,257
	<hr/>	<hr/>	<hr/>	<hr/>
Total executive directors' remuneration excluding benefits-in-kind	2,646	2,254	-	1,211
	<hr/>	<hr/>	<hr/>	<hr/>

28. DIRECTORS' REMUNERATION (CONT'D)

Shareholders' fund (cont'd)	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive directors of the Company:				
Fees	-	446	-	446
Allowances and other emoluments	-	90	-	90
	-	536	-	536
Total directors' remuneration	3,161	2,853	-	1,793
Total directors' remuneration excluding benefits-in-kind	3,112	2,790	466	1,747

* The non-executive director was an executive director of the Company in the previous year.

** The director of the Takaful subsidiary refers to a management personnel, who is currently employed by the reinsurance subsidiary.

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
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
2005			
Executive director of the subsidiary:			
Salaries and bonus	285	190	475
Pension costs – EPF	49	32	81
Others	22	15	37
Benefits-in-kind	15	10	25
	371	247	618
Total executive directors' remuneration excluding benefits-in-kind	356	237	593
Non-executive directors:			
Fees	92	61	153
Allowances and other emoluments	32	21	53
	124	82	206

29. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Malaysian income tax	40,374	30,509	1,770	30,505
Overprovision in prior years	-	(892)	-	-
	<u>40,374</u>	<u>29,617</u>	<u>1,770</u>	<u>30,505</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 4)	(1,800)	2,900	6,500	2,900
	<u>38,574</u>	<u>32,517</u>	<u>8,270</u>	<u>33,405</u>

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	<u>153,764</u>	<u>122,540</u>	<u>6,123</u>	<u>125,337</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	43,054	34,311	1,714	35,094
Effects of different tax rates of associate	(3,293)	(3,134)	-	-
Effects of different tax rate in respect of offshore insurance	(106)	(506)	-	(506)
Income not subject to tax	(9,771)	(1,413)	(229)	(1,413)
Expenses not deductible for tax purposes	2,191	3,259	285	230
Deferred taxation recognised on transfer of business to subsidiary	-	-	6,500	-
Overprovision of tax expense in prior years	-	(892)	-	-
Tax expense for the year	<u>32,074</u>	<u>31,625</u>	<u>8,270</u>	<u>33,405</u>

As at 31 March, 2006, the Company has tax exempt profits amounting to approximately RM94,000,000 (2005: RM135,000,000) 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, 2005 without incurring additional tax liabilities.

29. TAXATION (CONT'D)

Group	General takaful fund		Family takaful fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Malaysian income tax	-	-	-	-
Overprovision in prior years	-	(56)	-	(9)
	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>(9)</u>

Domestic income tax of the general takaful fund is calculated at the Malaysian statutory tax rate of 28% (2005: 28%), except for family takaful business which is taxed at the preferential tax rate of 8% of taxable investment income for the year.

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 is as follows:

	General takaful fund		Family takaful fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(Deficit)/surplus before taxation	<u>(2,206)</u>	<u>(514)</u>	<u>45,117</u>	<u>16,843</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	(618)	(144)	3,609	1,347
Income not subject to tax	-	-	(3,577)	(3,068)
Expenses not deductible for tax purposes	295	-	24	1,721
Effect of utilisation of management expenses in Al Wakalah business model	-	(1,800)	-	-
Deferred tax asset not recognised during the year	471	1,944	-	-
Utiliation of previously unrecognised deferred tax assets	-	-	(56)	-
Overprovision of tax expense in prior years	-	(56)	-	(9)
Tax expense for the year	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>(9)</u>

Deferred tax asset has not been recognised in respect of the unutilised business loss of the general takaful fund of approximately RM2,405,000 (2005: RM5,736,000) 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.

30. DIVIDENDS

Group and Company	Amount		Net dividend per share	
	2006 RM'000	2005 RM'000	2006 Sen	2005 Sen
1st ordinary interim dividend of 10% tax exempt (2005: 10% (6% less 28% tax and 4% tax exempt))	20,762	16,617	10.0	8.4
2nd ordinary interim dividend of 10% tax exempt (2005: 10% (6% less 28% tax and 4% tax exempt))	20,883	16,852	10.0	8.4
Ordinary final dividend of 20% less 28% tax (2005: 10% (6% less 28% tax and 4% tax exempt)) *	30,083	17,097	14.4	8.4
	<u>71,728</u>	<u>50,566</u>	<u>34.4</u>	<u>25.2</u>

* At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 March, 2006 of 20% less 28% tax based on the issued and paidup share capital of 208,908,000 ordinary shares at the date of this report, amounting to a total dividend of RM30,083,000 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, 2007.

31. SEGMENT INFORMATION ON CASH FLOW

2006	General reinsurance business RM'000	Shareholders' fund RM'000	Total RM'000
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)
	<u>1,295</u>	<u>(1,880)</u>	<u>(585)</u>
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
	<u>(726)</u>	<u>141</u>	<u>(585)</u>
Company			
Net cash flow generated from/(used in):			
Operating activities	-	39,401	39,401
Investing activities	-	-	-
Financing activities	-	(41,488)	(41,488)
	<u>-</u>	<u>(2,087)</u>	<u>(2,087)</u>
Net decrease in cash and bank balances:			
At beginning of year	-	2,097	2,097
At end of year	-	10	10
	<u>-</u>	<u>(2,087)</u>	<u>(2,087)</u>

31. SEGMENT INFORMATION ON CASH FLOW (CONT'D)

2005	General reinsurance business RM'000	Shareholders' fund RM'000	Total RM'000
Group			
Net cash flow generated from/(used in):			
Operating activities	1,152	36,235	37,387
Investing activities	-	(3,143)	(3,143)
Financing activities	-	(29,994)	(29,994)
	<u>6,150</u>	<u>3,098</u>	<u>4,250</u>
Net increase in cash and bank balances			
At beginning of year	778	373	1,151
At end of year	<u>1,930</u>	<u>3,471</u>	<u>5,401</u>
	<u>1,152</u>	<u>3,098</u>	<u>4,250</u>
Company			
Net cash flow generated from/(used in):			
Operating activities	1,152	80,625	81,777
Investing activities	-	(50,679)	(50,679)
Financing activities	-	(29,994)	(29,994)
	<u>1,152</u>	<u>(48)</u>	<u>1,104</u>
Net increase /(decrease) in cash and bank balances:			
At beginning of year	778	215	993
At end of year	<u>1,930</u>	<u>167</u>	<u>2,097</u>
	<u>1,152</u>	<u>(48)</u>	<u>1,104</u>

32. 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	
	2006	2005	2006	2005
Net profit/(loss) for the year (RM'000)	115,183	90,023	(2,147)	91,932
Weighted average number of ordinary shares in issue ('000)	200,394	197,180	200,394	197,180
Basic EPS/(LPS) (sen)	<u>57</u>	<u>46</u>	<u>(1)</u>	<u>47</u>

32. EARNINGS/(LOSS) PER SHARE (CONT'D)

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	
	2006	2005	2006	2005
Net profit/(loss) for the year (RM'000)	115,183	90,023	(2,147)	91,932
Weighted average number of ordinary shares in issue ('000)	200,394	197,180	200,394	197,180
Assumed exercise of share options	934	95	934	95
Weighted average number of ordinary shares for diluted earnings per share ('000)	201,328	197,275	201,328	197,275
Diluted EPS/(LPS) (sen)	57	46	(1)	47

33. CAPITAL COMMITMENTS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Authorised and contracted for:				
- property, plant and equipment	12,250	-	-	-
- subscription of additional preference shares in Inflexion PEF (Note 7)	8,929	-	-	-
- acquisition of Motordata Research Consortium Sdn. Bhd. (Note 35)	1,728	-	1,728	-

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 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	18,082	-	18,082
Net reinsurance inwards from Mayban General Assurance Berhad, a company in which a substantial shareholder also has interest *	9,803	10,519	-	10,519
Net reinsurance outwards to Labuan Reinsurance (L) Limited, an associate	(862)	(2,005)	-	(2,006)
Net retakaful outwards to Labuan Reinsurance (L) Limited, an associate	(939)	(166)	-	-
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	1,820	1,949	122	1,865
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)	(191)	(6)	(191)
Takaful contributions paid to Takaful Ikhlas Sdn. Bhd., a subsidiary	(403)	(382)	(6)	(382)
Management fees from the takaful funds of Takaful Ikhlas Sdn. Bhd., a subsidiary	43	-	43	-
Management fees from Malaysian Reinsurance Berhad, a subsidiary	-	-	623	-
Rental income from the takaful funds of Takaful Ikhlas Sdn. Bhd., a subsidiary	1,124	-	-	1,280
Rental income from Labuan Reinsurance (L) Limited, an associate	707	711	-	711

* 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 (2005: the Company) 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.

35. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Acquisition of 40% equity interest in Motordata Research Consortium Sdn. Bhd.

On 29 December, 2005, the Company entered into a Share Sale Agreement ("SSA") to purchase 400,000 ordinary shares of RM1.00 each and 240,000 preference shares of RM1.00 each, representing a 40% equity interest in Motordata Research Consortium Sdn. Bhd. ("MRC") at RM3.00 per share amounting to a total cash consideration of RM1,920,000 ("purchase consideration") from Total Pac Solutions Sdn. Bhd. and Maphilindo International Sdn. Bhd. ("the vendors").

The principal activity of MRC, by appointment of the General Insurance Association of Malaysia ("PIAM"), is to manage the database for standard motor parts, prices and repairs.

On even date, the Company also entered into a Shareholders' Agreement ("SA") with HeiTech Padu Berhad to regulate the relationship of both parties as 40% and 60% shareholders in MRC respectively. The SA will become effective upon completion of the SSA.

This acquisition was completed on 27 April, 2006.

(b) Acquisition of MMIP Services Sdn. Bhd.

On 12 April 2006, the Company acquired 100% of the issued and paid-up share capital of MMIP Services Sdn. Bhd. ("MMIP") for a cash consideration of RM2.00.

The authorised share capital of MMIP is RM100,000 divided into 100,000 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.

The principal objective of MMIP is to manage the Malaysian Motor Insurance Pool, which was established by local insurance companies to provide motor insurance to vehicle owners who cannot readily find an insurer to provide insurance protection for their vehicles. The pool members comprise all general insurance companies registered under the Insurance Act, 1996.

36. SEGMENT INFORMATION

Group	Reinsurance RM'000	Takaful Operator RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006					
Revenue					
External	684,609	58,220	8,571		751,400
Inter-segment	-	-	623	(623)	-
					<u>751,400</u>
Results					
Segment results	115,969	1,266	666	(2,261)	115,640
Management expenses	(41,418)	(3,686)	(3,092)	623	(47,573)
Investment income	62,538	2,847	8,550		73,935
Profit from operations					142,002
Share of results of associate	11,762	-	-		11,762
Profit before zakat and taxation					153,764
Zakat					(7)
Taxation					(38,574)
Net profit for the year					<u>115,183</u>
Assets					
Segment Assets					
Investments	1,181,453	50,928	137,017		1,369,398
Other Assets	111,915	165,752	501,474	(500,025)	279,116
Investment in associates	123,797	-	-		123,797
					<u>1,772,311</u>

36. SEGMENT INFORMATION (CONT'D)

Group	Reinsurance RM'000	Takaful Operator RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006 (cont'd)					
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	69,862	3,325	16,804	(121)	89,870
Takaful funds	-	85,090	-		85,090
					<u>1,024,508</u>
Other Information					
Capital expenditure	8,609	3,611	-		12,220
Depreciation	1,663	3,118	-		4,781
Net amortisation of premiums/(accretion of discounts) in value of investments	712	(19)	102		795
Non-cash expenses other than depreciation and amortisation	77	-	-		77
					<u>77</u>
2006					
Revenue					
External	697,125	22,069	-		719,194
Inter-segment	-	-	-		-
					<u>719,194</u>
Results					
Segment results	106,755	(11,905)	-		94,850
Management expenses	(37,932)	(2,646)	(71)		(40,649)
Investment income	56,137	995	-		57,132
					<u>111,333</u>
Profit from operations					111,333
Share of results of associate					<u>11,207</u>
					122,540
Profit before zakat and taxation					-
Zakat					<u>(32,517)</u>
Taxation					
					<u>90,023</u>
Net profit for the year					<u>90,023</u>
Assets					
Segment Assets					
Investments	1,305,725	45,611	-		1,351,336
Other Assets	137,224	13,376	-		150,600
Investment in associates	117,231	-	-		117,231
					<u>1,619,167</u>

36. SEGMENT INFORMATION (CONT'D)

Group	Reinsurance RM'000	Takaful Operator RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006 (cont'd)					
Liabilities					
Segment Liabilities					
Provision for Outstanding Claims	593,830	9,222	-		603,052
Unearned premium reserves	223,881	14,204	-		238,085
Takaful funds	-	18,646	-		18,646
Other liabilities	65,430	16,915	71	(71)	82,345
					942,128
Other Information					
Capital expenditure	2,991	1,464	-		4,455
Depreciation	2,684	3,081	-		5,765
Net amortisation of premiums/(accretion of discounts) in value of investments	(1,300)	-	-		(1,300)
Non-cash expenses other than depreciation and amortisation	-	-	-		-

37. 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 minimise underwriting risks by having a balanced mix and spread of business and by observing underwriting guidelines and limits, having conservative estimations made for claims provisions, and applying 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 recognised, should counterparties to reinsurance and investment transactions fail to perform as contracted. In this respect, the Group's credit policy on the various aspects 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 intermediary is then monitored on an on-going basis.

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit Risk (cont'd)

(ii) Investment

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

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 exposure to credit risks for the Group are represented by the carrying value of its financial assets.

The Group invests mainly in low risk 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 rating agencies. The credit ratings of the Group's corporate debt securities portfolio based on their market values are as follows:

	Group 2006 RM'000	Company 2006 RM'000	Group and Company 2005 RM'000
Rating of corporate debt securities and short term commercial papers on market value basis:			
A	21,871	-	33,020
AA	171,840	-	127,606
AAA/P1	107,150	26,080	64,973
Not rated, secured	8,576	-	9,530
	<u>309,437</u>	<u>26,080</u>	<u>235,129</u>

(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 therewith 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 on-going basis and should the need arise, 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.

37. FINANCIAL INSTRUMENTS (CONT'D)

(f) Market Risk

The quoted securities portfolio of the Group consist of shares, warrants, TSRs and bonds which are issued mainly by fundamentally sound corporations, and 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.

The Group's investments in quoted securities as mentioned above are subject to fluctuations in market prices. As and when necessary, the Group would consider and if found to be feasible, engage in KLCI Futures purely for hedging purposes to mitigate the impact arising from the fluctuations in market prices.

(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, unquoted corporate debt securities, Islamic private debt securities, short term commercial papers, institutional trust fund, Khazanah Nasional Berhad bonds, Islamic Cagamas bonds and Government Islamic issue.

The market values of the above investments are indicative of their fair values as at the financial year end and are determined as follows:

- Malaysian Government Securities, Khazanah Nasional Berhad bonds, Islamic Cagamas bonds and Government Islamic issue - determined by reference to indicative market price as provided by Bank Negara Malaysia.
- Unquoted corporate debt securities, short term commercial papers and Islamic private debt securities - determined by reference to the indicative market bid prices as provided by brokers.
- Institutional trust fund - determined by reference to the Net Assets Value of the fund as at the financial year end.

Information relating to market values of the instruments mentioned above is disclosed in Note 7 to the financial statements.

- (ii) Investments in subsidiary, associate 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 5, 6 and 7 to the financial statements, respectively.

- (iii) Balances with subsidiaries and takaful funds, and loan to subsidiary

It is not practical to estimate the fair values of balances with subsidiaries and the takaful funds, and the loan to subsidiary because of the lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

Financial assets and liabilities as at the financial year end that relate to rights and obligations arising from insurance contracts are not considered as they do not fall within the scope of Financial Reporting Standard 132 ("FRS 132") on Financial Instruments : Disclosure and Presentation.