

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3rd QUARTER ENDED 31 MARCH 2008

1 Basis of Preparation

The interim financial statements of the Group and the Company are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and the applicable disclosure provision of the Listing Requirements (Part A of Appendix 9B) of the Bursa Malaysia Securities Berhad.

The interim financial statements have been prepared using consistent accounting policies with the audited financial statements for the financial year ended 30 June 2007 and should be read in conjunction with the aforementioned audited financial statements.

2 Auditors’ Report

The auditors’ report on the audited financial statements of the preceding year ended 30 June 2007 did not contain any qualification.

3 Seasonal or Cyclical Factors

The Group’s operations are not materially affected by seasonal or cyclical factors.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial quarter ended 31 March 2008.

5 Changes in Estimates

There were no changes to the estimates of amounts reported for the current financial quarter to-date under review.

6 Debt and Equity Securities

During the period under review, the Company allotted and issued 2,299,000 new ordinary shares of RM1.00 each under the Employees’ Share Option Scheme (“ESOS”) at the exercise price of RM1.20 per ordinary share. The ESOS will expire on 2 November 2008. Shares issued under the ESOS rank pari passu in all respect with the existing ordinary shares of the Company.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial quarter to date.

7 Dividends

As approved by Bank Negara Malaysia, the Directors declared an interim dividend of 3.5% less 26% income tax in respect of the financial year ending 30 June 2008 which will be paid on 27 June 2008. The entitlement date for the above dividend shall be 11 June 2008 and a depositor shall qualify for the entitlement to the dividend only in respect of:

- a) Shares transferred into the Depositor’s Securities Account before 4:00 pm on 11 June 2008 in respect of transfers; and

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- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

No dividend was declared and paid for the previous financial year ended 30 June 2007.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
9 months ended 31.03.2008				
Revenue from external participants	655,266	106,723	-	761,989
Profit before tax	15,876	2,979	-	18,855
Capital Expenditure by location of assets	7,550	454	-	8,004
As at 31.03.2008				
Segments assets by location of assets	3,699,747	205,920	(58,934)	3,846,733

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
9 months ended 31.03.2007				
Revenue from external participants	93,267	22,930	-	116,197
Profit before tax	12,948	2,858	-	15,806
Capital Expenditure by location of assets	21,758	1,650	-	23,408
As at 31.03.2007				
Segments assets by location of assets	3,249,326	149,147	(58,934)	3,339,539

9 Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). No valuation has been carried out during the current financial quarter under review.

10 Material Events Subsequent to the End of the Period

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial quarter.

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11 Changes in Composition of the Company/Group

There is no change in the composition of the Group for the current financial quarter under review.

12 Contingent Liabilities

As reported in the previous announcement, the Company is subjected to a contingent liability of RM109.7 million arising from potential tax exposure to the Company assuming that our appeal for retrospective tax deduction is rejected by Ministry of Finance (MOF). The MOF has on 30 January 2008 agreed to allow for the tax treatment of the amended Section 60 of the Income Tax Act, 1967, on the deductibility of management expenses for Shareholders' Fund and participants' share of income in the Family and General Funds, to be applicable with effect from year of assessment 1997 via exemption under Section 127 (3A) of the Income Tax Act 1967.

Therefore, the existing contingent liabilities may not be relevant for the purpose that it was provided in the last Balance Sheet date as at 30 June 2007.

13 Review of Performance

For the 3rd quarter ended 31 March 2008, the Group generated Operating Revenue of RM280.68 million, a reduction of 14.8% compared to RM329.43 million in the corresponding quarter of the previous year. For the 9-month period ended 31 March 2008, Operating Revenue also decreased by 5.2% to RM761.99 million from RM803.91 million in the same period last year.

During the quarter under review, the Group has shown encouraging results due to higher surplus transfer from Family Takaful Fund and General Takaful Fund by 9.4% and 313.8% respectively.

For the 9-month period under review, the surplus transfer from Family Takaful revenue accounts increased by 13.0% or RM9.41 million and General Takaful recorded an increase of 36.3% or RM15.89 million compared to the same period last year.

As a result of the above, profit before tax for the quarter under review increased by 41.9% or RM2.71 million to RM9.16 million from RM6.46 million in the same period last year.

For the 9-month period, profit before tax of the Group increased by 19.3% or RM3.05 million to RM18.86 million compared to RM15.81 million for the same period last year.

14 Material Changes in the Quarterly Results Compared to the Results of the Preceding Financial Quarter

The Group posted profit before tax of RM9.16 million for the current quarter compared to loss of RM5.44 million in the preceding quarter which was primarily due to Qardh Hasan write off as previously reported.

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15 Current Year Prospects

Prospects for the takaful industry in the current financial year continue to be encouraging. Amidst greater competition from new takaful operators, the Company is positioning itself to continue to be at the forefront through the strengthening of human resources particularly in the area of product development, marketing and operations. Enhancement of IT systems to drive efficiency and optimize cost is expected to assist in the achievement of the Company's strategic objectives. Barring unforeseen circumstances, the Directors expect the targeted growth in net profit for the Company to be achievable for the financial year ending 30 June 2008, despite projected lower revenue growth compared to targets.

16 Variance from Profit Forecast and Shortfall in Profit Guarantee

The Group did not issue any profit forecast nor profit guarantee during the financial year under review.

17 Taxation

	3 months ended		9 months ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Current tax:-				
- Current financial year	813	1,146	1,886	3,623
	<u>813</u>	<u>1,146</u>	<u>1,886</u>	<u>3,623</u>
Deferred tax:-				
- Current financial year	-	-	1,557	(3,075)
	<u>813</u>	<u>1,146</u>	<u>3,443</u>	<u>548</u>

The effective rate of taxation is lower than the statutory tax rate because certain income of the Company is assessable at a lower rate in accordance with the Income Tax Act 1967 and certain expenses are not deductible for tax purposes.

18 Profit/loss on Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investment and/or properties for the current quarter under review. As reported in the previous quarter, the Company disposed its 7.5% shareholding (equivalent to 3,750,000 shares) in Amana Takaful Limited (Sri Lanka) at a selling price of Rs12.5 per share. This disposal resulted in a one-off gain of RM705,387.00.

19 Status of Corporate Proposal

The Company has on 10 October 2007 and 20 November 2007 respectively, announced that it has obtained the approval from Bank Negara Malaysia to commence negotiations with Abu Dhabi-Kuwait-Malaysia Strategic Investment Corporation (ADKMSIC) and Islamic Arab Insurance Co. P.J.S.C. (SALAMA) respectively. Currently, the negotiations

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with both ADKMSIC and SALAMA are still ongoing and no conclusive arrangements has been achieved thus far.

20 Purchase or Disposal of Quoted Securities

This disclosure is not applicable to insurance / takaful companies.

21 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2008.

22 Off Balance Sheet Financial Instruments

As at the date of this report, the Group has not entered into any off-balance sheet financial instruments.

23 Material Litigation

There were no material litigations pending as at the date of this announcement.

24 Earnings per Share

(a) Basic earnings per share (“Basic EPS”)

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the period by the weighted average number of ordinary shares in issue during the period.

		3 months ended		9 months ended	
		31.03.2008	31.03.2007	31.03.2008	31.03.2007
Net profit attributable to shareholders	(RM'000)	<u>7,053</u>	<u>4,332</u>	<u>15,051</u>	<u>13,379</u>
Weighted average number of ordinary shares in issue	('000)	<u>157,770</u>	<u>152,790</u>	<u>157,770</u>	<u>152,790</u>
Basic earnings per share	(sen)	<u>4.47</u>	<u>2.84</u>	<u>9.54</u>	<u>8.76</u>

(b) Diluted earnings per share (“Diluted EPS”)

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue adjusted for potential dilutive ordinary shares arising from share options granted to employees.

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		3 months ended		9 months ended	
		31.03.2008	31.03.2007	31.03.2008	31.03.2007
Net profit attributable to shareholders	(RM'000)	<u>7,053</u>	<u>4,332</u>	<u>15,051</u>	<u>13,379</u>
Weighted average number of ordinary shares in issue	('000)	157,770	152,790	157,770	152,790
Adjustment for share options		387	3,382	387	3,382
		<u>158,157</u>	<u>156,172</u>	<u>158,157</u>	<u>156,172</u>
Diluted earnings per share	(sen)	<u>4.46</u>	<u>2.77</u>	<u>9.52</u>	<u>8.57</u>

By Order of the Board

MOHAMAD ASRI BIN HAJI YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 23 May 2008