

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4th QUARTER ENDED 30 JUNE 2008

1 Basis of Preparation

The interim financial statements of the Group 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.

The following revised Financial Reporting Standards (“FRSs”) which are effective for the financial years beginning on or after 1 July 2007, have been adopted by the Group in the 2008 financial statements:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies and has no significant financial impact on the Group’s financial statements.

The Group has adopted FRS 5 – Non Current Assets Held For Sale and Discontinued Operations as the Group is considering to dispose its investment in Asean Retakaful International (Labuan) Limited (ARIL), and hence all its assets and liabilities have been classified as “non-current assets held for sale” in the 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 30 June 2008.

5 Changes in Estimates

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

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6 Debt and Equity Securities

During the period under review, the Company allotted and issued 829,000 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 ended 30 June 2008 which was paid on 27 June 2008.

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
12 months ended 30.06.2008				
Revenue from external participants	886,735	164,142	-	1,050,877
Profit before tax	31,993	5,323	-	37,316
As at 30.06.2008				
Segments assets by location of assets	3,820,674	226,954	(50,422)	3,997,206
Geographical Segments	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
12 months ended 30.06.2007				
Revenue from external participants	924,651	81,118	-	1,005,769
Profit before tax	16,371	351	-	16,722
As at 30.06.2007				
Segments assets by location of assets	3,371,865	168,611	(58,934)	3,481,542

9 Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). A desktop valuation has been carried out during the current financial quarter under review.

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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.

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

Prior to the amendments of Section 60AA of the Income Tax Act 1967 (Section 60AA), capital allowances had been claimed by way of deduction from tax adjusted income in both General and Family Takaful Funds. The amended Section 60AA stipulates that the tax adjusted income of the Shareholders' Fund shall be ascertained by taking into account the amount of income distributed or credited from Family and General Takaful Funds and as a result both General and Family Takaful Funds would have nil tax adjusted income. As such, capital allowances claimable for the years of assessment from 1997 to 2008 would be lost permanently.

The Malaysian Takaful Association and the Company are in discussion with the Ministry of Finance (MOF) and Inland Revenue Board for the capital allowances to be deducted from tax adjusted income in Shareholders' Fund. No provision has been made by the Company for the potential tax liabilities of the previous and current years pending the outcome of the said discussion and future appeals. The potential tax exposure to the Company assuming that the deduction of capital allowances in Shareholders' Fund is rejected by the MOF is approximately RM11.4 million. In addition, the Company would have to reverse its current balance of deferred tax asset which is in relation to unabsorbed capital allowances brought forward by approximately RM9.0 million".

13 Review of Performance

For the 4th quarter ended 30 June 2008, the Group generated Operating Revenue of RM296.98 million, an increase of 14.6% compared to RM259.23 million in the corresponding quarter of the previous year. For the 12-month period ended 30 June 2008, Operating Revenue increased by 4.5% to RM1,050.88 million from RM1,005.77 million in the same period last year.

Profit before tax for continuing operation during the quarter under review increased by 531.7% to RM15.97 million from RM2.53 million in the same period last year.

For the 12-month period, profit before tax for continuing operations increased by 123.1% or RM20.55 million to RM37.32 million compared to RM16.72 million for the same period last year.

As for the discontinued operation, profit after tax for the quarter under review reduced by 61.0% or RM2.58 million to RM1.65 million from RM4.23 million for the same period last year.

For the 12-month period, discontinued operation incurred a loss after tax of RM0.85 million a reduction of 114.6% or RM6.69 million compared to profit after tax of RM5.84 million for the same period last year.

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

In the quarter under review, profit before tax increased by 141.6% or RM9.38 million to RM15.96 million compared to RM6.61 million in the preceding financial quarter.

The profit after tax for discontinued operations reduced by 35.6% or RM0.91 million to RM1.65 million from RM2.56 million in the previous quarter.

During the quarter under review, there is a prior year adjustment relating to Family Takaful Fund and Shareholders' Fund due to revision of liability for future policy benefits for 2006 and 2007 in a subsidiary company, Syarikat Takaful Indonesia.

	Family Takaful Fund (RM)	Shareholders' Fund (Retained Profits) (RM)
As previously reported as at 30 June 2007	2,351,411	142,515
Prior year adjustment	20,437	(20,437)
As restated	<u>2,371,848</u>	<u>122,078</u>

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. The Company did not achieve the targeted revenue growth due to drop in General Takaful business as a result of stiffer competition across all classes of business. However, despite the lower revenue growth, the Company still managed to achieve the targeted net profit.

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.

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17 Taxation

	3 months ended		12 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Current tax:-				
- Current financial year	(163)	(4,412)	(96)	(789)
- Under provision in prior years	5,496	2,186	7,315	2,186
	<u>5,333</u>	<u>(2,226)</u>	<u>7,219</u>	<u>1,397</u>
Deferred tax:-				
- Current financial year	476	(567)	2,033	(3,643)
	<u>5,809</u>	<u>(2,793)</u>	<u>9,252</u>	<u>(2,246)</u>

The effective rate of taxation is higher than the statutory tax rate mainly because of additional provision in respect of prior years despite certain income of the Company is assessable at a lower rate and certain additional expenses are deductible for tax purposes in accordance with the Income Tax Act 1967.

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

There were no sales of unquoted investment and/or properties for the current quarter under review. As reported in the 2nd quarter of financial year ended June 2008, 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 with both ADKMSIC and SALAMA are still ongoing and no conclusive arrangements have 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 30 June 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

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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		12 months ended	
		30.06.2008	30.06.2007	30.06.2008	30.06.2007
Net profit attributable to shareholders	(RM'000)	<u>10,089</u>	<u>8,213</u>	<u>25,140</u>	<u>21,608</u>
Weighted average number of ordinary shares in issue	('000)	<u>158,569</u>	<u>153,266</u>	<u>158,569</u>	<u>153,266</u>
Basic earnings per share	(sen)	<u>6.36</u>	<u>5.36</u>	<u>15.85</u>	<u>14.10</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.

		3 months ended		12 months ended	
		30.06.2008	30.06.2007	30.06.2008	30.06.2007
Net profit attributable to shareholders	(RM'000)	<u>10,089</u>	<u>8,213</u>	<u>25,140</u>	<u>21,608</u>
Weighted average number of ordinary shares in issue	('000)	<u>158,569</u>	<u>153,266</u>	<u>158,569</u>	<u>153,266</u>
Adjustment for share options		<u>272</u>	<u>960</u>	<u>272</u>	<u>960</u>
		<u>158,841</u>	<u>154,226</u>	<u>158,841</u>	<u>154,226</u>
Diluted earnings per share	(sen)	<u>6.35</u>	<u>5.33</u>	<u>15.83</u>	<u>14.01</u>

By Order of the Board

MOHAMAD ASRI BIN HAJI YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 28 August 2008