

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 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 2008 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
FRS 117	Leases

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 (L) Ltd (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 2008 did not contain any qualification.

3 Seasonal or Cyclical Factors

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

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4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial quarter ended 30 September 2008.

5 Changes in Estimates

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

6 Debt and Equity Securities

During the period under review, the Company allotted and issued 1,214,000 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 expired 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.

The Directors proposed a final dividend of 3.5% less 26% income tax in respect of the financial year ended 30 June 2008, subject to approval of the shareholders at the Annual General meeting to be held on 10 December 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
3 months ended 30.09.2008				
Revenue from external participants	157,639	37,664	-	195,303
Profit before tax	2,527	(986)	-	1,541
As at 30.09.2008				
Segments assets by location of assets	3,931,354	198,596	(30,114)	4,099,836

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Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
3 months ended 30.09.2007				
Revenue from external participants	247,578	34,120	-	281,698
Profit before tax	14,800	332	-	15,132
As at 30.09.2007				
Segments assets by location of assets	3,575,219	169,881	(58,934)	3,686,166

9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 30 June 2008.

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 RM10.1 million.

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13 Review of Performance

For the first quarter ended 30 September 2008, the Group generated Operating Revenue of RM238.02 million, a decrease of 15.5% compared to RM281.70 million in the corresponding quarter of the previous year.

Profit before tax for the quarter under review decreased by 89.8% to RM1.54 million from RM15.13 million in the same period last year due to lower income from both Family and General Takaful Funds as well as investment income.

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

In the quarter under review, profit before tax decreased significantly compared to the preceding financial quarter by 90.3% or RM14.15 million to RM1.54 million. The decrease was mainly due to lower investment income as a result of unfavourable market conditions.

15 Current Year Prospects

The takaful industry in the current financial year is geared towards slower growth. Amidst greater competition from new takaful operators, however, 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 optimise cost is expected to assist in the achievement of the Company's strategic objectives.

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	
	30.09.2008	30.09.2007
Current tax:-		
- Current financial year	-	389
- Under provision in prior years	(385)	-
	<hr/>	<hr/>
	(385)	389
Deferred tax:-		
- Current financial year	665	1,557
	<hr/>	<hr/>
	280	1,946

The effective rate of taxation is lower than the statutory tax rate mainly because of certain income of the Company is non-taxable in accordance with the Income Tax Act 1967.

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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.

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 September 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	
		30.09.2008	30.09.2007
Net profit attributable to shareholders	(RM'000)	<u>1,483</u>	<u>11,629</u>
Weighted average number of ordinary shares in issue	('000)	<u>162,417</u>	<u>156,351</u>
Basic earnings per share	(sen)	<u>0.91</u>	<u>7.44</u>

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(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	
		30.09.2008	30.09.2007
Net profit attributable to shareholders	(RM'000)	<u>1,483</u>	<u>11,629</u>
Weighted average number of ordinary shares in issue	('000)	162,417	156,351
Adjustment for share options		193	758
		<u>162,610</u>	<u>157,109</u>
Diluted earnings per share	(sen)	<u>0.91</u>	<u>7.40</u>

By Order of the Board

MOHAMAD ASRI BIN HAJI YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 26 November 2008