

Takafulink Funds Report 2007

Harnessing every opportunity through unwavering resilience



Takafulink Reports and Statements for the year ended
31 December 2007

PRUDENTIAL BSN

TAKAFUL

We understand, we care.

Contents:

02	CEO's Message
04	Fund Objectives
05	Investment Review
09	Fund Performance
10	Investment Outlook
12	Financial Highlights
16	Details of Investments
24	Statement of Assets and Liabilities
27	Statement of Changes in Net Asset Value
30	Statement of Income and Expenditure
33	Notes to the accounts
35	Director's Report
36	Auditors' Report

Cover Rationale

The right nutrients coupled with the right conditions are the important factors for a seed to germinate into a plant. At Prudential, we learn new lessons from the simplest of examples and apply it in our quest to constantly reinvent ourselves to serve you better.

Our steadfast perseverance and commitment are the nutrients that have always been the fundamental reason for our continuous growth. Our wide range of Shariah investments are invested into the right market conditions for the best rewards potential possible. We strive to change and improve lives through our innovative products and services as we continue to grow.



“Work. Life. With these two simple words, we summarise our intention to continue bringing value to individuals and society at large, fulfilling our responsibilities as the number one provider of employment opportunities worldwide.”

Mohamad Salihuddin Ahmad
Chief Executive Officer



CEO's Message

Dear Policyholder,

I am thrilled to share with you Prudential BSN Takaful Berhad's admirable performance in 2007 despite the challenges posed to global economic growth mainly due to the surge in crude oil prices and the US subprime crisis.

In spite of all that, with your unwavering support, we overcame all barriers and pushed beyond the limits. Your trust and belief gave us the courage and strength to persevere and excel. We are grateful to have you as part of our family and we thank you from the bottom of our hearts!

Last year was a very challenging but exciting one for us with so many activities organised and new targets to scale. The road shows and community events that were held across the country brought us closer to you and we gained the opportunity to get to know and interact with many of you. That gave us an insight to understand you better. As for products and services we look forward to bringing to you new and innovative products and services to meet your takaful and financial needs.

As this is our first financial reporting, it humbles me to see how far we have come within such a short time. It is evident proof that we have been on the right track in meeting the needs of our customers because we continuously reach out and listen to you.

Our results thus far could not have been achieved if not for you, our loyal and supportive customers. The entire team at PruBSN and I are truly thankful to you for trusting us to manage your investments for you. We look forward to a better year in 2008 and we hope to be able to continue serving you.

Yours truly,



Mohamad Salihuddin Ahmad
Chief Executive Officer
PruBSN Takaful Berhad

Fund Objectives

The *Takafulink Dana Ekuiti Fund* aims to maximise returns over medium to long term by investing in high quality Syariah-approved shares listed on Bursa Malaysia.

The *Takafulink Dana Bon Fund* aims to provide medium to long term accumulation of capital by investing in selected Islamic Private Debt Securities (IPDS) and Islamic Financing Facilities (IFF).

The *Takafulink Dana Urus Fund* seeks to maximise returns over medium to long term by investing in Syariah-approved shares, IPDS and IFF through Takafulink Dana Ekuiti and Takafulink Dana Bon, and in any other such Takafulink funds that may become available in the future.

Investment Review

Equity Market

Despite having posted a very commendable +23.8% return in 2006, the Kuala Lumpur Syariah Index (“KLSI”) kicked off 2007 with continued optimism and vigour. An increase in mergers and acquisitions (M&A) activities on both sides of the Atlantic coupled with benign inflationary data led to global stock markets scaling new highs in the first two months of the year. The KLSI’s uptrend was firmly supported by a firming Ringgit and positive news flow for the plantation, property and construction sectors. More importantly, inflows from foreign funds gathered pace as Malaysian corporates were being aggressively showcased at local and international conferences. Participation in small to mid-cap stocks also saw healthy volumes as retail players joined in the “January Effect” party.

A correction in the month of February caused global markets to fall precipitously on the back of the Chinese government’s moves to crack down on stock market speculation, concerns that problems in the US subprime market would spill over into

the broader economy and comments from former Federal Reserve Chairman Alan Greenspan that a recession in the US is possible.

Markets shrugged off February’s dip and resumed their uptrend in the second quarter as sentiment on the local bourse was boosted by the spillover effect from strong performances of the Dow Jones Industrial Average (“DJIA”) and other key regional bourses, lifted generally by upbeat first Quarter 2007 corporate earnings and positive economic data. Plantation stocks led the charge, underpinned by Crude Palm Oil (“CPO”) breaching the RM2,500 per metric tonne levels. Oil prices on the other hand, remained relatively stable during this period, hovering between the USD65 to USD70 per barrel.

Lending support to the markets’ underlying optimism was macro-economic data suggesting that signs of recovery in the global economy were beginning to emerge in the services and manufacturing industries, which had grown faster

in the second quarter compared to the first quarter. Domestic news flow was mixed with the proposed privatization of Maxis Communications Bhd, and the abolishment of Real Property Gains Taxes whilst accounting irregularities at Transmile Group Bhd caused investors to turn more cautious. The market reacted positively to the announcement from the Government that civil servants will be in line to receive a pay rise of between 7.5% to 35%.

The third quarter began on a strong footing with the KLSI reaching a new high of 210.89 points, the Ringgit exchange rate hitting RM3.4015 against the US Dollar and all regional markets soaring to new highs. But this proved to be short lived as the effects of the US subprime crisis reared its ugly head with the announcement from US America Home Mortgage that it may have to liquidate as it may no longer be able to fund home loans, which caused equity markets to go into a tailspin. The KLSI was not spared from the global equity sell-off as investors heavily sold out of equities in emerging markets in a volatile August month. Fears about

losses in the credit markets intensified after US investment bank, Bear Stearns said that the turmoil in the subprime market had forced two of its hedge funds to be closed down. Markets did try to stage a rebound but they were brief and unsustainable. Sentiment remained negative as global investors became concerned that rising defaults among the subprime mortgages may spill over to the other credit markets and eventually hurt corporate earnings. Compounding the negative sentiment was the steady increase in crude oil prices from USD70 to USD80 per barrel on the back of supply shortages, weak US employment numbers and rising inflationary pressures in China. In a move to avert a financial crisis, the Federal Reserve cut the discount rate by 50 basis points from 6.25% to 5.75% to provide additional liquidity for US financial institutions which was a welcome reprieve to already beaten-down equity markets.

The month of September saw the return of optimism to the markets as investors cheered the Federal Reserve's decision to cut US interest rates

by 50 basis points to 4.75% during its September 18 meeting. Domestic news flow in the form of announcements of a “pro-election and people friendly” Budget 2008 and a RM4.2 billion investment into the Iskandar Development Region by Middle Eastern investors helped to sustain the market’s recovery from the lows of August. The announcement of a de-merger exercise by Telekom Malaysia Bhd to separate its cellular operations from its fixed line and broadband business was well received by foreign funds.

The fourth quarter proved to be an unpredictable month as the KLSI mirrored the moves on Wall Street which gyrated in a see-saw fashion. Negative announcements from major US and European investment banks and US financing companies like Freddie Mac and Fannie Mae reporting losses from the subprime crisis hit stocks hard and Asian markets followed the swings in tandem. Not helping matters was the surge in crude oil prices to USD99 per barrel. Markets did eventually stage a recovery as investors anticipated the Federal

Reserve’s 0.25% basis point cut in its benchmark interest rate to 4.25%. Domestic highlights of the quarter include crude palm oil (“CPO”) prices breaching RM2,900 per tonne, the unveiling of the East Coast Economic Region and the anticipated listing of the biggest plantation company in the world, Kumpulan Sime Darby Bhd. The month of November also saw the removal of the KLSI as the benchmark index for Syariah counters and replaced with the FTSE-Bursa Malaysia EMAS Syariah Index (“FBMSI”) as a result of the ongoing collaboration efforts between Bursa Malaysia and FTSE Group of the UK.

In a bid to instill a sense of calm, the Federal Reserve, European Central Bank and central banks from the UK, Canada and Switzerland announced that they would provide billions in loans in order to lower interest rates and ease the availability of credit.

The FBMSI eventually closed the year at 10,533.13 points.

Bond Market

We had expected domestic interest rates to have peaked as we enter into 2007. As it turned out, Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate at 3.50% since April 2006 and in all its eight Monetary Policy Committee Meetings in 2007, it maintains an accommodative monetary policy on the back of manageable inflation, to support the domestic economy. In the US, after keeping the federal funds rates constant at 5.25% since June 2006, the Federal Reserve cut the federal funds rate three times in the latter part of 2007, from 5.25% to 4.25% in 2007, in a bid to forestall a slowdown in the economy following a subprime mortgages meltdown in July/August, thus tightening the interest rate differential between domestic and US rates from 1.75% to 0.75%.

The average 12-month General Investment Account (“GIA”) rate in 2007 was in the range of 3.40%-3.60%. Despite a stable interest rate environment, the domestic bonds rallied as bond yields fell and the yield curve flattened in December 2006 and in the first five months of 2007, driven by excess liquidity, benign inflation, reduced expectations of a hike in interest rates, expectations of further appreciation of the MYR, as well as the imminent inclusion of Malaysia Government Securities (“MGS”) in the Citigroup World Government Bond Index in July 2007. Thereafter, domestic bond yields experienced high volatility and flipped to an upward trend triggered by the deterioration in US subprime mortgages and a sell-off in regional currencies, and ended at levels higher than at the start of the year, with a steeper yield curve.

Fund Performance

Takafulink Dana Ekuiti

As at 31 December 2007, the Net Asset Value per unit of Takafulink Dana Ekuiti increased to RM1.358 from RM1.000 at the launch of the fund on 1 December 2006, representing a gain of 35.8% for the period. The strong performance was due to our timely asset allocation between equities and cash and good selection of stocks for the portfolio.

Effective 1 November 2007, the Kuala Lumpur Syariah Index (KLSI) was no longer available and it was replaced by the FTSE-Bursa Malaysia EMAS Syariah Index (FBMSI).

Takafulink Dana Bon

As at 31 December 2007, the Net Asset Value per unit of Takafulink Dana Bon increased to RM1.041 from RM1.000 at the launch of the fund on 1 December 2006, recording a return of 4.1% for the period. The commendable return was achieved in a period of uncertainties in the global credit markets. In addition, our meticulous selection of quality issues has enabled us to achieve a good return.

Takafulink Dana Urus

As at 31 December 2007, the Net Asset Value per unit of the *Takafulink Dana Urus* was RM1.292 compared to RM1.000 at the launch of the fund on 1 December 2006, recording a return of 29.2% for the period.

Investment Outlook

Global markets look set to approach 2008 with a sense of trepidation as the US subprime mortgage lending problems, which may not have peaked, continue to cast a shadow on world financial markets. Only time will tell if the concerted efforts of key central banks around the world to provide liquidity can help avert a worsening of the crisis. High crude oil prices above USD90 per barrel continues to be a dampening factor on global growth and leading US and European economic indicators point to a slowing in activities in the months ahead. Asia continues to be resilient with China leading the way but fears of overheating and escalating inflation means that the Chinese authorities will continue to introduce measures to reign in its economy.

The Malaysian equity market has often been labelled a “defensive and a low beta” market and our house view is that the scenario is no different this time around. We opine that there are several key

themes which may see our domestic equity market continue to be supported in the near term. Firstly, economic growth remains on track supported by strong earnings growth. Consumer spending has picked up in the last few quarters and will negate the impact of a slowdown in demand for Malaysian exports. High commodity prices remain elevated due to the consumption of vegetable oils outpacing production in 2008, boding well for CPO prices. Secondly, higher infrastructure spending is expected through an accelerated roll-out of more Ninth Malaysia Plan (“9MP”) projects and the various economic corridors (East Coast and Northern). Thirdly, the ongoing restructuring of Government-Linked Corporations (“GLCs”) continues and investors will be looking to see the tangible results flow through to the bottom line in 2008. Finally, the impending General Election is a key event for the equity market which has seen the KLCI perform well during past election years.

Our base case scenario is that the US economy will most likely show some pronounced weakness in the first half of 2008, but it would rebound and end 2008 with positive growth. This is premised, firstly on the fact that economic growth for the rest of the world in general and in developing countries is in decent shape, which should allow the US to adjust to the housing drag with some ease. Secondly, the US government initiated rescue plan to freeze interest rates of some mortgages will help delinquent borrowers and avert large-scale foreclosures. And thirdly, interest rates have been coming down and it is only a matter of time before the credit crisis blows over and the stimulative impact of lower borrowing costs are felt in reviving business activity.

While we will adopt a defensive strategy with constant monitoring on how widespread the fallout will be in the US subprime mortgage, and credit

and derivatives market, we will also be looking out for opportunities to accumulate for the longer term. While we agree that the environment may be uncertain in the near term, we believe that our long standing investment philosophy of investing in companies with good earnings visibility, good management and stable cash flows will serve the funds well and we are confident that this strategy will help us navigate through the expected approaching headwinds.

As for the outlook on domestic interest rates, BNM is expected to continue its accommodative stance to boost economic growth as it warned of the risk to slower global growth as a result of uncertainties in the global credit markets. Given the manageable inflationary pressures and the focus on economic growth, we believe that domestic rates will stay at current levels for most part of the year.

Financial Highlights:

For the financial year ended 31 December 2007

Takafulink Dana Ekuiti

Category	2007 %
Shariah Approved Shares	
Building Materials	6.77
Conglomerates	13.15
Construction	8.47
Consumer	1.55
Industrial	3.66
Media	3.14
Motor	3.76
Oil & Gas	10.24
Plantation	6.57
Power	7.04
Property	5.30
Technology	3.31
Telecommunications	4.35
Timber	0.41
Transportation	4.37
Water	2.07
	84.16
Cash and Deposits	18.63
Other Assets	(0.01)
Total Liabilities	(2.78)
Total	100.00

Financial Highlights:

For the financial year ended 31 December 2007

Takafulink Dana Ekuiti (continued)

	2007
	%
Total Net Asset Value(RM)	22,179,241
Units in Circulation	16,330,676
NAV Per Unit(RM)	1.3581
Highest NAV per unit(RM)	1.363
Lowest NAV per unit(RM)	0.983
Total Return(*)	
-Capital Growth	35.81%

Average Annual Return -Fund(*)

Period

Since inception	35.81%
-----------------	--------

Average Annual Return-Benchmark: KLSI (old-as at Oct 2007) = 36.12%

FBMSI (new Syariah Index) = 45.38%

Period

Since inception	43.69%
-----------------	--------

* The fund returns are calculated based on five decimal place

Financial Highlights:

For the financial year ended 31 December 2007

Takafulink Dana Bon

Category	2007 %
Islamic Debts Securities	85.40
Cash and Deposits	14.16
Other Assets	1.07
Total Liabilities	(0.63)
Total	100.00
Total Net Asset Value(RM)	11,704,512
Units in Circulation	11,238,402
NAV Per Unit(RM)	1.041
Highest NAV per unit(RM)	1.043
Lowest NAV per unit(RM)	1.000
Total Return(*)	
-Capital Growth	4.15%

Average Annual Return -Fund(*)

Period

Since inception	4.15%
-----------------	-------

Average Annual Return-Benchmark: MBB 1 month Tier 2 Islamic Deposit rate

Period

Since inception	3.20%
-----------------	-------

* The fund returns are calculated based on five decimal place

Financial Highlights:

For the financial year ended 31 December 2007

Takafulink Dana Urus

Category	2007 %
----------	-----------

Investment in	
<i>Takafulink Dana Ekuiti Fund</i>	84.84
<i>Takafulink Dana Bon Fund</i>	15.16
Other Assets	-
Total	100.00

Total Net Asset Value(RM)	3,047,901
Units in Circulation	2,358,805
NAV Per Unit(RM)	1.292
Highest NAV per unit(RM)	1.292
Lowest NAV per unit(RM)	0.987
Total Return(*)	
-Capital Growth	29.21%

Average Annual Return -Fund(*)

Period

Since inception	29.21%
-----------------	--------

Average Annual Return-Benchmark: 0% FBMSI + 15% MBB 1 month Tier 2 Islamic

Deposit rate + 15% 3 years Government Islamic
Issue (GII)

Period

Since inception	30.22%
-----------------	--------

* The fund returns are calculated based on five decimal place

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Building Materials				
CEMENT INDUSTRIES OF MAL-BHD	36,000	183,837	233,222	1.05%
HIAP TECK VENTURE BHD	170,000	344,765	331,251	1.49%
KINSTEEL BHD	287,000	384,641	386,272	1.74%
LAFARGE MALAYAN CEMENT BHD	60,800	328,200	357,245	1.61%
ORNASTEEL HOLDINGS BHD	131,000	203,127	194,733	0.88%
		1,444,570	1,502,723	6.77%
Conglomerates				
MALAYSIAN RESOURCES CORP BHD	119,000	247,712	304,785	1.37%
MMC CORPORATION BERHAD	20,000	77,663	186,818	0.84%
SIME DARBY BERHAD	156,298	1,301,825	1,868,130	8.42%
UEM WORLD BHD	80,000	325,730	316,587	1.44%
YTL CORPORATION BERHAD	30,000	206,958	238,043	1.07%
YTL POWER BHD	2,000	2,000	2,973	0.01%
		2,161,887	2,917,336	13.15%

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti (continued)

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Construction				
AHMAD ZAKI RESOURCES BERHAD	52,800	64,328	171,825	0.77%
GAMUDA BHD	56,000	205,937	271,108	1.22%
IJM CORP BHD	25,000	202,636	215,946	0.97%
LINGKARAN TRANS KOTA HLDGS	33,000	100,201	128,603	0.58%
MUHIBBAH ENGINEERING (M) BERHAD	100,000	102,643	377,654	1.70%
PLUS EXPRESSWAYS BHD	48,000	138,687	158,133	0.71%
PRINSIPTEK CORPORATION BHD	50,000	45,952	44,194	0.20%
PROTASCO BHD	18,000	14,561	17,718	0.08%
UEM BUILDERS BHD	141,000	223,248	172,777	0.78%
WCT ENGINEERING BHD	18,666	54,780	156,547	0.71%
ZELAN BHD	30,000	80,201	164,219	0.75%
		1,233,174	1,878,724	8.47%
Consumer				
MAMEE DOUBLE DECKER BERHAD	42,800	123,281	96,724	0.44%
NESTLE (MALAYSIA) BERHAD	3,000	72,941	79,097	0.36%
PELIKAN INTERNATIONAL CORP BERHAD	23,000	75,392	109,962	0.50%
POS MALAYSIA BHD	24,000	115,468	58,818	0.27%
		387,082	344,600	1.55%

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti (continued)

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Industrial				
ASIA FILE CORP BHD	20,000	186,818	114,502	0.52%
ASIA FILE BHD-BONUS ISSUE	12,000	-	68,701	0.31%
CHEMICAL CO OF MALAYSIA BERHAD	13,000	43,149	37,474	0.17%
KOSSAN RUBBER INDUSTRIES	50,000	224,211	195,858	0.88%
PPB GROUP BERHAD	21,000	106,468	232,016	1.05%
V.S. INDUSTRY BERHAD	41,000	162,112	163,898	0.73%
		722,758	812,449	3.66%
Media				
NEW STRAITS TIMES PRESS (M) BHD	117,500	271,901	234,854	1.06%
SIN CHEW MEDIA CORP BHD	79,000	212,746	215,032	0.97%
STAR PUBLICATIONS (MALAYSIA) BHD	71,600	245,619	247,388	1.11%
		730,266	697,274	3.14%
Motor				
APM AUTOMOTIVE HOLDINGS BHD	46,000	101,646	107,652	0.49%
BOON KOON GROUP BHD	218,000	278,196	164,219	0.74%
PROTON HOLDINGS BHD	20,100	122,274	74,293	0.33%
UMW HOLDINGS BHD	31,000	373,867	485,728	2.20%
		875,983	831,891	3.76%

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti (continued)

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Oil & Gas				
DIALOG GROUP BHD	112,000	119,867	203,612	0.92%
EASTERN PACIFIC INDUS CORP	50,000	68,237	131,576	0.59%
PANTECH GROUP HOLDINGS BERHAD	88,700	240,487	266,380	1.20%
PETRA ENERGY BHD	70,000	245,543	237,641	1.07%
PETRA PERDANA BERHAD	40,000	137,905	216,950	0.98%
PETRONAS DAGANGAN BHD	45,300	379,898	393,569	1.77%
PETRONAS GAS BHD	56,300	572,180	605,061	2.73%
SCOMI GROUP BHD	80,000	83,619	111,689	0.50%
TANJUNG OFFSHORE BHD	35,000	75,746	105,462	0.48%
		1,923,482	2,271,940	10.24%
Plantation				
ASIATIC DEVELOPMENT BERHAD	31,900	177,084	277,149	1.25%
IJM PLANTATIONS BHD	16,000	27,672	52,711	0.24%
KUALA LUMPUR KEPONG BHD	42,500	596,780	742,754	3.35%
SARAWAK PLANTATION BERHAD	81,000	252,471	257,086	1.16%
UNITED PLANTATIONS BHD	10,000	101,444	127,559	0.57%
		1,155,451	1,457,259	6.57%
Power				
TENAGA NASIONAL BHD	115,000	1,239,880	1,108,858	5.00%
TENAGA NASIONAL BHD - Bonus Issue	25,000	281,864	241,056	1.09%
YTL POWER INTERNATIONAL BHD	78,000	167,949	211,528	0.95%
YTL POWER INTERNATIONAL BHD - Bonus Issue				
		1,689,693	1,561,441	7.04%

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti (continued)

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Property				
KLCC PROPERTY HOLDINGS BHD	86,000	311,927	302,324	1.36%
NAIM CENDERA HOLDINGS BHD	79,000	393,960	374,521	1.69%
SP SETIA BHD	40,000	190,288	200,076	0.90%
SP SETIA BHD - Bonus Issue	20,000	95,144	100,038	0.45%
SP SETIA WARRANTS - Rights Issue	10,000	-	-	0.00%
IOI PROPERTIES BERHAD	15,000	183,805	197,365	0.90%
		1,175,124	1,174,324	5.30%
Technology				
MALAYSIAN PACIFIC INDUSTRIES	26,000	245,677	242,864	1.10%
UCHI TECHNOLOGIES BHD	80,000	256,064	214,540	0.97%
UNISEM (M) BERHAD	167,000	274,790	276,762	1.24%
		776,531	734,166	3.31%
Telecommunications				
DIGI.COM BHD	10,000	216,361	249,091	1.12%
TELEKOM MALAYSIA BHD	47,000	464,173	528,716	2.38%
TIME DOTCOM BHD	245,000	231,370	185,789	0.85%
		911,904	963,596	4.35%

Details Of Investment

As at 31 December 2007

Takafulink Dana Ekuiti (continued)

Equities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Timber				
JAVA INCORPORATED BERHAD	25,000	85,374	42,436	0.19%
TA ANN HOLDINGS BERHAD	7,000	64,261	49,216	0.22%
		149,635	91,652	0.41%
Transportation				
AIRASIA BHD	66,000	98,841	106,065	0.48%
BINTULU PORT HOLDINGS BHD	65,500	371,866	401,308	1.81%
MISC BHD	47,000	429,885	460,266	2.08%
		900,592	967,639	4.37%
Water				
JAKS RESOURCES BHD	141,000	180,510	188,354	0.85%
SALCON BERHAD	130,000	113,410	156,686	0.71%
SALCON BHD-WT 23/05/2014	46,000	-	31,418	0.14%
YLI HOLDINGS BHD	30,000	59,963	82,863	0.37%
		353,883	459,321	2.07%
Total Market Value of Equities		16,592,016	18,666,336	84.16%

Details Of Investment

As at 31 December 2007

Takafulink Dana Bon

Islamic Debts Securities	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Islamic Bonds				
SAJ HOLDINGS SDN BHD 5.9% 25/10/2010 SYARIKAT PENGELUAR AIR SUNGAI	1,000,000	1,045,500	1,039,707	8.88%
SELANGOR SDN BHD 5.27% 27/05/2011 BANK MUAMALAT MALAYSIA BERHAD	1,000,000	1,034,100	1,032,317	8.82%
6.25% 05/09/2011	1,000,000	1,065,800	1,044,458	8.92%
AMISLAMIC BANK BHD 4.8% 21/12/2011	1,000,000	1,000,000	1,001,184	8.55%
NUCLEUS AVENUE (M) BERHAD 5.783% 30/04/2013	1,000,000	1,009,220	1,037,046	8.86%
TEKNOLOGI TENAGA PERLIS CONSOR 8.9% 12/09/2014	500,000	633,000	625,487	5.34%
JIMAH ENERGY VENTURES SDN BHD 7.65% 12/11/2014	1,000,000	1,156,600	1,095,133	9.36%
BINARIANG GSM SDN BHD 5.65% 26/12/2014	1,000,000	1,008,610	1,015,356	8.67%
BANK PEMBANGUNAN & INFRASTRUKTUR BHD 5.7% 25/04/2016	1,000,000	1,094,200	1,072,951	9.17%
PLUS EXPRESSWAYS BHD 0% 17/06/2019	1,800,000	982,260	1,032,530	8.83%
		10,029,290	9,996,169	85.40%
Total Market Value of Bonds		10,029,290	9,996,169	85.40%

Details Of Investment

As at 31 December 2007

Takafulink Dana Urus

Investments	Quantity	Cost (RM)	Market Value (RM)	% of Fund
Investment in Takafulink Dana Ekuiti	1,903,970	2,447,274	2,585,839	84.84%
Investment in Takafulink Dana Bon	443,645	459,792	462,047	15.16%
Total Market Value of Investments		2,907,066	3,047,886	100.00%

Statement Of Assets And Liabilities

As At 31 December 2007

Takafulink Dana Ekuiti

	2007	
	RM	%
Investments		
Shariah Approved Shares	18,666,336	84.16
Cash and Deposits		
Cash at bank	-	-
Deposits	4,131,057	18.63
Tax Assets	-	(0.01)
Other Assets	930	0.00
Total Assets	22,798,323	102.78
Provision for Deferred Tax	(108,868)	(0.48)
Other Liabilities	(510,215)	(2.30)
Total Liabilities	(619,083)	(2.78)
Net Asset Value of the Fund	22,179,240	100.00
Participants' Fund		
Capital	19,186,286	86.51
Generated Income carried forward	2,992,954	13.49
	22,179,241	100.00
Net Asset Value Per Unit (RM)	1.358	
NUMBER OF UNITS	16,330,676	

Statement Of Assets And Liabilities

As At 31 December 2007

Takafulink Dana Bon

	2007	
	RM	%
Investments		
Islamic Debts Securites	9,996,169	85.40
Cash and Deposits		
Cash at bank	7,661	0.07
Deposits	1,650,000	14.09
Other Assets	125,268	1.07
Total Assets	11,779,098	100.63
Provision for Taxation	(42,559)	(0.35)
Provision for Deferred Tax	0	0.00
Other Liabilities	(32,027)	(0.28)
Total Liabilities	(74,586)	(0.63)
Net Asset Value of the Fund	11,704,512	100.00
Participants' Fund		
Capital	11,302,250	96.56
Generated Income carried forward	402,262	3.44
	11,704,512	100.00
Net Asset Value Per Unit (RM)	1.04147	
NUMBER OF UNITS	11,238,402	

Statement Of Assets And Liabilities

As At 31 December 2007

Takafulink Dana Urus

	2007	
	RM	%
Investments in		
<i>Takafulink Dana Ekuiti</i>	2,585,839	84.84
<i>Takafulink Dana Bon</i>	462,047	15.16
Cash At Bank	-	-
Other Assets	341	0.01
Total Assets	3,048,227	100.01
Total Liabilities	(326)	(0.01)
Net Asset Value of the Fund	3,047,901	100.00
Participants' Fund		
Capital	2,844,347	93.32
Generated Income carried forward	203,554	6.68
	3,047,901	100.00
Net Asset Value Per Unit (RM)	1.29214	
NUMBER OF UNITS	2,358,805	

Statement Of Changes In Net Asset Value

For the financial year ended 31 December 2007

Takafulink Dana Ekuiti

	2007 RM
Net Asset Value at beginning of year	-
Amounts received from units created	24,013,336
Amounts paid for units cancelled	(4,827,050)
Excess of Income over Outgo	2,992,954
Value of fund at end of year	22,179,240

Statement Of Changes In Net Asset Value

For the financial year ended 31 December 2007

Takafulink Dana Bon

	2007 RM
Net Asset Value at beginning of year	-
Amounts received from units created	12,046,270
Amounts paid for units cancelled	(744,028)
Excess of Income over Outgo	402,262
Value of fund at end of year	11,704,512

Statement Of Changes In Net Asset Value

For the financial year ended 31 December 2007

Takafulink Dana Urus

	2007 RM
Net Asset Value at beginning of year	-
Amounts received from units created	4,444,658
Amounts paid for units cancelled	(1,600,311)
Excess of Income over Outgo	203,554
Value of fund at end of year	3,047,901

Statement Of Income & Expenditure

For the financial year ended 31 December 2007

Takafulink Dana Ekuiti

	2007 RM
Net Investment Income	476,907
Profit Income	65,127
Dividend income	411,780
Profits on Disposal	899,755
Securities	899,755
Unrealised Capital (Loss)/Gain	1,998,232
Total Income	3,374,894
Investment Management Fees	(184,007)
Loss on Disposal	-
Securities	-
Provision for taxation	(180,501)
	-
Other Outgo	(17,432)
Total Outgo	(381,940)
Excess of Income over Outgo	2,992,954
Generated Income brought forward	-
Amount Available for Distribution	-
Generated Income carried forward	2,992,954

Statement Of Income & Expenditure

For the financial year ended 31 December 2007

Takafulink Dana Bon

	2007 RM
Net Investment Income	544,277
Profit Income	544,277
Profits on Disposal	-
Securities	-
Unrealised Capital Loss	(33,121)
Total Income	511,156
Investment Management Fees	(58,743)
Loss on Disposal	(6,400)
Securities	(6,400)
Unrealised Capital Loss	-
Provision for taxation	(35,580)
Other Outgo	(8,171)
Total Outgo	(108,894)
Excess of Income over Outgo	402,262
Generated Income brought forward	-
Amount Available for Distribution	-
Generated Income carried forward	402,262

Statement Of Income & Expenditure

For the financial year ended 31 December 2007

Takafulink Dana Urus

	2007
	RM
Net Investment Income	-
Profits on Disposal	62,987
Securities	62,987
Unrealised Capital (Loss)/Gain	140,820
Total Income	203,807
Investment Management Fees	(253)
Total Outgo	(253)
Excess of Income over Outgo	203,554
Generated Income brought forward	-
Amount Available for Distribution	-
Generated Income carried forward	203,554

Notes To The Accounts

1. Summary Of Significant Accounting Policies

a. Basis of Accounting

The accounts have been prepared in accordance with generally accepted accounting principles in Malaysia and the requirements of the certificate document, modified by the following:

- (i) for the purpose of unit pricing valuation of investments at market value are adjusted to include future cost of acquisitions. This is to ensure equitable unit pricing for incoming, outgoing and remaining unit-holders ; and
- (ii) for the purpose of unit pricing, provision of deferred tax on unrealised gains using an actuarially calculated rate of 4% instead of the statutory rate of 8%. The Board of Directors are of the opinion that since these gains will only be realised in the future, the lower tax rate of 4% has been used to ensure equitable unit pricing for incoming, outgoing and remaining unit-holders.

b. Investments

Quoted investments are valued at the closing market prices at the end of financial year.

Unquoted loan stocks/bonds are valued at the prevailing prices quoted by financial institutions.

Net unrealised gains/losses in value of investments are credited or charged to the capital account.

- c. **Dividend Income**
Dividend income is recognised when the right to receive payment is established.
 - d. **Profit Income**
Profit income is recognised on the accrual basis.
 - e. **Gains on Sales of Investment**
Gains or losses arising from the disposal of investments are credited or charged to the capital account.
 - f. **Investment Management fees**
Investment management fees are calculated in accordance with the provisions of the certificate document.
 - g. **Cash and cash equivalents**
Cash and cash equivalents consists of cash in hand and balances with banks, excluding Islamic deposits.
2. Other Outgo comprises bank charges and custodian charges
 3. At 31 December 2007, the Funds had no contingent liabilities or commitments.
 4. All amounts are stated in Ringgit Malaysia.

Director's report

In the opinion of the Directors, the Takafulink Funds ("Funds") financial statements of Income and Expenditure set out in page 24 to 34, comprising the statements of assets and liabilities as at 31 December 2007 and the related Statements of Income and Expenditure and Statements of Changes in Net Asset Value for the financial year ended 31 December 2007 together with the notes thereto, have been drawn up in accordance with applicable approved accounting standards in Malaysia and guidelines issued by Bank Negara Malaysia and give true and fair view of the state of affairs of the fund as at 31 December 2007 and the movements in the Statements of Changes in Net Asset Value of the Fund for year ended on that date.

Signed in accordance with a resolution of the Directors:

Abdul Khalil bin Abdul Hamid

Ng Keng Hooi

Kuala Lumpur
30 May 2008

Auditors' Report

To the Unitholders of

PRUDENTIAL BSN TAKAFUL BERHAD

TAKAFU*link* FUNDS

We have audited the financial statements set out on page 24 to 34, comprising the statements of assets and liabilities as at 31 December 2007 and the related Statements of Income and Expenditure and Statements of Changes in Net Asset Value for the year then ended together with the notes thereto. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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 GPI 33 – The Guidelines on Investment-Linked Business and for no other purpose. We do not assume responsibility to any other persons for the content of this report.

We conducted our audit in accordance with 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 financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly the state of affairs of the Funds as at 31 December 2007 and the movements in the Statements of Income and Expenditure and Statements of Changes in Net Asset Value of the Funds for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements and GPI 33 – The Guidelines on Investment-Linked Business.

Auditors' Report (continued)

We draw your attention to Note 1a (ii) to the financial statements whereby a lower rate of tax was used for deferred taxation provision. As fully explained in Note 1a (ii), the Board of Directors is of the opinion that it is fairer to policyholders to use a lower rate than the statutory tax rate in the pricing of units. This does not lead to a qualification of our opinion.

KPMG

Kuala Lumpur
30 May 2008

Prudential BSN Takaful Berhad (740651-H)
Level 8A, Menara Prudential,
No.10, Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel: 603-2078 1188 Fax: 603-2072 6188

Customer Service:
Tel: 603-2053 7188
Email: customer@prubsn.com.my