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working world

**G R E A T E A S T E R N T A K A F U L B E R H A D**  
**(916257-H)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2014**

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

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**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2014.

**PRINCIPAL ACTIVITY**

The Company is principally engaged in managing family takaful business including takaful investment-linked business.

There has been no significant change in the principal activity during the financial year.

**RESULTS**

	<b>RM'000</b>
Net profit for the year	<u>2,300</u>

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

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

**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:

Datuk Kamaruddin bin Taib (Chairman)  
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad  
Tuan Haji Jamaluddin bin Masrin  
Dato Koh Yaw Hui  
Mr Norman Ip Ka Cheung (*appointed on 8 August 2014*)  
Mrs Fang Ai Lian (nee Ho Ai Lian) (*resigned on 16 April 2014*)  
Tan Sri Dato' Nasrudin bin Bahari (*retired on 24 March 2014*)

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**DIRECTORS (CONTINUED)**

In accordance with Article 72 of the Company's Articles of Association, Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad and Haji Jamaluddin bin Masrin would retire at the forthcoming Annual General Meeting ("AGM"), 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 the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 24 and 27 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 to be disclosed under Section 169(8) of the Companies Act, 1965.

**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's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

	<u>Shareholdings in which Directors have a direct interest</u>			
	<u>01.01.2014</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2014</u>
<b>(a) Ordinary shares in the capital of OCBC Bank</b>				
Dato Koh Yaw Hui	80,756	39,244	-	120,000
Mr Norman Ip Ka Cheung	3,450	500	-	3,950
<b>(b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank</b>				
Mr Norman Ip Ka Cheung	2,000	-	-	2,000

**GREAT EASTERN TAKAFUL BERHAD**  
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**DIRECTORS' INTERESTS (CONTINUED)**

	<u>Shareholdings in which Directors are deemed to have an interest</u>			
	<u>01.01.2014</u>	<u>Granted</u>	<u>Vested</u>	<u>31.12.2014</u>
	<b>(c) Ordinary shares in the capital of OCBC Bank</b>			
Dato Koh Yaw Hui	35,102	15,013	(11,629)	38,486 <sup>(1)</sup>

*Note:*

- (1) Comprises deemed interest in 31,205 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 7,281 ordinary shares granted under OCBC Employee Share Purchase Plan.

<u>Options held by Directors in their own name</u>							
	<u>Expiry Date</u>	<u>Exercise Price (S\$)*</u>	<u>01.01.2014</u>	<u>Adjustment*</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.2014</u>
Dato Koh Yaw Hui	07.04.2015	5.63	20,000	566	-	-	20,566
	22.05.2016	6.40	20,000	566	-	-	20,566
	13.03.2017	8.35	20,000	566	-	-	20,566
	13.03.2018	7.31	25,000	707	-	-	25,707
	15.03.2019	4.02	20,000	566	-	-	20,566
	14.03.2020	8.52	40,000	1,132	-	-	41,132
	13.03.2021	9.09	36,773	1,040	-	-	37,813
	13.03.2022	8.56	84,010	2,377	-	-	86,387
	13.03.2023	10.02	185,901	5,260	-	-	191,161
	13.03.2024	9.17	-	3,392	119,885	-	123,277

- \* The exercise price and number of options were adjusted pursuant to the OCBC rights issue.

Other than as disclosed 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.

**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Bank Negara Malaysia's Guidelines, BNM/RH/GL 004-1 Guidelines on Directorship for Takaful Operators and BNM/RH/GL 003-2 Prudential Framework of Corporate Governance for Insurers. The Company is committed to the principles prescribed in this guideline to ensure public accountability at all times. Further details are disclosed on page 6 to 22 in the financial statements.

**OTHER STATUTORY INFORMATION**

- (a) Before the statement of financial position, income statement and statement of comprehensive income 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 have 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 render:
- (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements 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 Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements 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 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 Company which has arisen since the end of the financial year.

**GREAT EASTERN TAKAFUL BERHAD**  
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**OTHER STATUTORY INFORMATION (CONTINUED)**

(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 Company to meet its obligations as and when they fall due; 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 Company for the financial year in which this report is made.

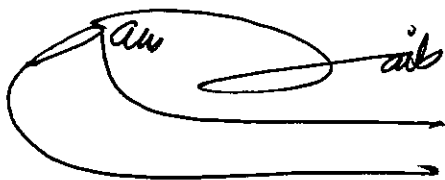
(g) Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its takaful contract liabilities.

For the purpose of paragraphs (e) and (f) above, contingent and other liabilities do not include liabilities arising from certificates of takaful underwritten in the ordinary course of business of the Company.

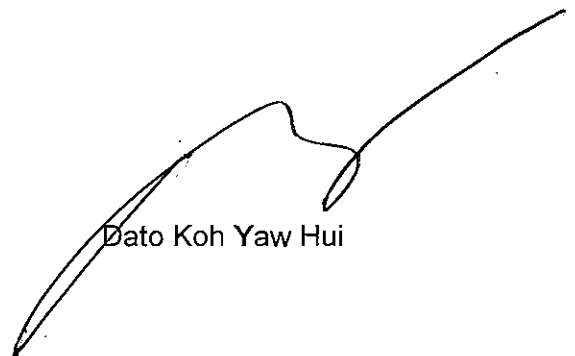
**AUDITORS**

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 dated 29 January 2015.



Datuk Kamaruddin bin Taib  
Kuala Lumpur



Dato Koh Yaw Hui

**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE (as referred to in the Directors' Report)**

Great Eastern Takaful Berhad (the "Company") is committed to uphold good governance practices, in conformity with Bank Negara Malaysia ("BNM") "Guidelines on Prudential Framework of Corporate Governance for Insurers" (BNM/RH/GL 003-2) (the "Framework") and is continually enhancing standards of the overall governance of the Company. The Framework is divided into six main sections namely, Board Responsibility and Oversight, Management Accountability, Corporate Independence, Internal Controls and Operational Risk Management, Public Accountability and Financial Reporting. There are 33 principles in the Framework.

The Company adopted management practices that conform to the Framework and Shariah principles.

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT**

**Board's Conduct of Affairs**

The Company's Board of Directors (the "Board") are overall responsible of leading the Company and providing strategic direction in terms of corporate objectives, monitoring performance goals and business strategies for the Company. The prime stewardship responsibility of the Board is to ensure the viability of the Company and that it is managed in the best interest of all stakeholders. Its principal roles and functions, amongst others, include the following:

- (a) review and approve the annual business and strategic plans of the Company;
- (b) oversee the conduct of the Company's business to ensure that the business is properly managed towards achieving the Company's corporate objectives, and that the Company's dealings with its certificate owners, claimants and creditors are conducted in a fair and equitable manner;
- (c) identify key business risks, determine the risk appetite of the Company and ensure the implementation of appropriate systems to manage risks within established risk-tolerance limits;
- (d) ensure the adequacy and integrity of the Company's internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines; and
- (e) ensure that proper management succession and performance management are in place for the Company to meet its objectives.



**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Board's Conduct of Affairs (Continued)**

The Company had adopted internal guidelines on matters which require Board's approval. Matters requiring Board's approval include corporate restructuring, major acquisition and disposal of assets by the Company, all material related party transactions, authority levels for the Company's core functions, outsourcing of core business functions and corporate policies on investment, underwriting, retakaful, claims and risk management practices.

**Board Committees**

The Board had established specialised Board Committees to assist it in carrying out its oversight of the operations and business affairs of the Company more effectively. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee and Board Risk Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference. The Company's Board Committees examine specific issues within their respective terms of reference and report to the Board with their recommendations. The ultimate responsibility for decision making lies with the Board. Details of the roles and responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of meetings of these Board Committees were maintained and circulated to the Board on a regular basis.

**Meetings and Directors' Attendance**

The Board meets regularly during the year, to review the business performance and key activities of the Company presented by Senior Management Team and to consider business proposals of a significant nature. Decisions were taken objectively in the interests of the Company. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2014, the Board held six scheduled Board meetings and one *ad hoc* Board meeting.

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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Meetings and Directors' Attendance (Continued)**

The number of meetings of the Board and Board Committees held in 2014 and the attendance at those meetings held during the time the respective Directors held office as member of the Board and Board Committees, are set out below:

Name of Director	Board		Nominating Committee		Remuneration Committee	
	No. of Meetings <sup>(5)</sup>		No. of Meetings <sup>(6)</sup>		No. of Meetings <sup>(7)</sup>	
	Held	Attended	Held	Attended	Held	Attended
Datuk Kamaruddin bin Taib (Chairman)	7	7	5	5	3	3
Mrs Fang Ai Lian (nee Ho Ai Lian) <sup>(1)</sup>	2	2	2	2	2	2
Tan Sri Dato' Nasrudin bin Bahari <sup>(2)</sup>	2	1	2	1	2	1
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	7	7	5	5	3	3
Mr Norman Ip Ka Cheung <sup>(3)</sup>	2	2	1	1	-	-
Tuan Haji Jamaluddin bin Masrin	7	7	5	5	3	3
Dato Koh Yaw Hui <sup>(4)</sup>	7	7	2	2	-	-

Name of Director	Audit Committee		Board Risk Committee	
	No. of Meetings <sup>(8)</sup>		No. of Meetings <sup>(9)</sup>	
	Held	Attended	Held	Attended
Datuk Kamaruddin bin Taib	4	4	5	5
Mrs Fang Ai Lian (nee Ho Ai Lian) <sup>(1)</sup>	1	1	1	1
Tan Sri Dato' Nasrudin bin Bahari <sup>(2)</sup>	-	-	-	-
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	-	-	5	5
Mr Norman Ip Ka Cheung <sup>(3)</sup>	1	1	2	2
Tuan Haji Jamaluddin bin Masrin	4	4	-	-
Dato Koh Yaw Hui <sup>(4)</sup>	-	-	-	-

**Notes:**

- (1) Stepped down as Director and ceased as the Chairman of Audit Committee and Members of Nominating Committee, Remuneration Committee and Board Risk Committee on 16 April 2014.

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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Meetings and Directors' attendance (Continued)**

**Notes (Continued):**

- (2) Retired as Director and ceased as Member of Nominating Committee and Remuneration Committee.
- (3) Appointed as Director and Chairman of the Audit Committee, Member of Nominating Committee, Remuneration Committee and Board Risk Committee on 8 August 2014. Mr Norman Ip was re-designated as Executive Director from 21 November 2014.
- (4) Appointed as Member of Nominating Committee on 30 June 2014.
- (5) A total of 7 Board meetings were held in 2014, on 23 January, 24 March, 2 May (ad hoc), 29 May, 21 July, 25 September and 19 November 2014.
- (6) A total of 5 Nominating Committee meetings were held in 2014, on 23 January, 24 March, 2 May (ad hoc), 21 July and 19 November 2014.
- (7) A total of 3 Remuneration Committee meetings were held in 2014, on 23 January, 24 March and 21 July 2014.
- (8) A total of 4 Audit Committee meetings were held in 2014, on 23 January, 17 April, 21 July and 16 October 2014.
- (9) A total of 5 Board Risk Committee meetings were held in 2014, on 23 January, 29 May, 21 July (ad hoc), 25 September and 19 November 2014.

**Board Membership**

The Company's Board comprises 5 members. The Directors complied with the prescribed maximum limit of other directorship held. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation.

The composition of the Board was as follows:

<b>Members</b>	<b>Status of directorship</b>
Datuk Kamaruddin bin Taib (Chairman)	Independent Non-Executive Director
Tuan Haji Jamaluddin bin Masrin	Independent Non-Executive Director
Mej. Jen. (B) Dato' Paduka Che Hasni bin Che Ahmad	Non-Independent Non-Executive Director
Mr Norman Ip Ka Cheung	Independent Non-Executive Director
Dato Koh Yaw Hui	Non-Independent Executive Director

**Note:**

*Mr Norman Ip Ka Cheung was re-designated as Executive Director from 21 November 2014.*

**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Board Membership (Continued)**

The Board members are from diverse backgrounds, qualifications, experiences and knowledge, collectively bringing with them a wide range of financial and commercial experience to the Company. The diversity of experience and competencies of the Directors enhances the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill sets required for the Board Committees to be able to perform their respective roles and responsibilities.

Each Director had been approved by BNM for appointment and re-appointment (as the case may be) to the Company's Board for a term of not more than three years. Applications for re-appointment of Directors were submitted to BNM for approval at least three months before the expiry of the BNM term of appointment, in accordance with the provisions of BNM Guidelines on "Directorship for Takaful Operators" (BNM/RH/GL 004-01).

The Company's Articles of Association provides for one-third of the remaining directors to retire from office by rotation and if eligible, to be re-elected at the Annual General Meeting ("AGM") of the Company. A Director who is over 70 years old is subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. For Directors whose BNM term of appointment has not expired at the time of the AGM, but who are required to retire by rotation from office or pursuant to Section 129(6) and are eligible for re-election/re-appointment, BNM's approval is not required to re-elect/re-appoint the Directors concerned at the AGM.

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with Section 69 of the Islamic Financial Services Act, 2013, which came into effect on 30 June 2013, on their fulfilment of the minimum criteria of a "fit and proper person". Pursuant to the "Fit and Proper Policy for Key Responsible Persons" (the "KRP Policy") of the Company which is in line with BNM Guidelines, on "Fit and Proper Criteria" (BNM/RH/GL 018-5), all Directors and the Chief Executive Officer ("CEO"), amongst others, are collectively referred to as Key Responsible Persons ("KRPs"). Such KRPs, prior to or on appointment/reappointment (upon the expiry of their respective BNM term of appointment) and thereafter on an annual basis, will need to declare that they remain "fit and proper".

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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Board Orientation and Training**

A newly appointed Director receives an in-house orientation and education training program which includes presentations by senior management staff of the various functions of the Company. Additionally, the Company organised in-house training which serves to familiarise the Directors with takaful industry as well as the Company's business practices, among other topic related to actuarial, risk management, Shariah-related matters and new legislations. The Company encourages continuous professional development for the benefit of Directors and Directors were kept abreast of the developments in the market place through attendance of relevant education programmes, seminars, talks on relevant subject fields, as well as circulation of business reading materials. The ICLIF Leadership and Governance Centre are flexible in their programmes offering and most Directors had benefited from the Financial Institutions Directors' Education Programme. They also participate in on-going talks organised by The ICLIF Leadership and Governance Centre. Directors were also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company had made available resources for Directors to receive training in any specific area.

**Chairman and Chief Executive Officer ("CEO")**

The positions and roles of the Chairman and the CEO are distinct and separate, with clear division of responsibility between them to ensure an appropriate balance of authority, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

The Chairman leads the Board and fosters the Board's effectiveness. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. He sets guidelines and monitors the flow of information from Management to the Board to ensure that all material information provided to the Directors is timely and clear, to facilitate the Board's consideration of such matters. His responsibilities also include facilitating robust discussions and deliberations at Board meetings, and encouraging constructive relations between Directors as well as between the Board and Management. He promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees its business operations in accordance with the Company's strategy, plans and policies to achieve corporate performance and financial goals, ensuring, inter alia, operational and organisational efficiency, profit performance and effective risk management.

The implementation of the Board's decisions is carried out with the assistance of the Senior Management Team of the Company. Collectively, they are responsible for the day-to-day operations and administration of the Company.

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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Access to Information**

The Board members were provided with adequate and timely information and reports, including background explanatory information relating to matters brought before the Board, forecasts, regular internal financial statements of the Company and explanations of material variances between budgeted and actual results. The Senior Management team of the Company is invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team. Occasionally, external consultants may be invited to advise or brief the Board.

The Board Members have unfettered access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties and responsibilities.

**Nominating Committee**

The Nominating Committee ("NC") comprised the following Directors:

Datuk Kamaruddin bin Taib (Chairman)  
Mej. Jen. (B) Dato' Paduka Che Hasni bin Che Ahmad  
Tuan Haji Jamaluddin bin Masrin  
Mr Norman Ip Ka Cheung  
Dato Koh Yaw Hui

The members of the Nominating Committee possess the appropriate mix of skills and experience, and are appropriately qualified to discharge their responsibilities.

With the endorsement of the Board, the Nominating Committee had established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory and regulatory requirements.

The Nominating Committee is entrusted with the responsibility of proposing new nominees for appointment to the Board and to ensure that nominations of new Directors are made in the best interests of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Nominating Committee (Continued)**

The Nominating Committee made recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees. The Nominating Committee also recommends the re-appointment of Directors to the Board. In considering the re-appointment, the Nominating Committee will take into account the Directors' attendance and participation at meetings, their expertise and commitment, as well as their contributions to Board discussions and to the effectiveness of the Board.

Apart from nomination/appointment of new Directors or re-appointment of existing Directors, the Nominating Committee is also responsible for proposing nominees for the positions of Shariah Committee, CEO and Key Senior Officers ("KSOs") of the Company.

The procedures on such nominations and appointments, including re-appointment, have been put in place and approved by the Board. These have been drawn up in line with the prescribed regulatory and legal requirements.

On an annual basis, the NC reviews the Board's structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The Nominating Committee has in place a mechanism to carry out the Board-approved process for assessing the effectiveness of the Board as a whole and of the Board Committees, and presents its findings to the Board. The Board's profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the overall Board.

Whenever applicable and consistent with the prescribed Framework, the Nominating Committee's recommendations on the Shariah Committee, CEO and KSO would be made in consultation with the input from the Chairman of the Audit Committee and Board Risk Committee.

The Nominating Committee is also responsible to ensure all KRPs fulfil the fit and proper requirements, in line with the KRP Policy.

**Remuneration Committee**

The Remuneration Committee comprised the following Directors:

Datuk Kamaruddin bin Taib (Chairman)  
Mej. Jen. (B) Dato' Paduka Che Hasni bin Che Ahmad  
Mr Norman Ip Ka Cheung  
Tuan Haji Jamaluddin bin Masrin

**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Remuneration Committee (Continued)**

A Board-approved Framework on Remuneration for Directors, Shariah Committee, CEO and KSOs is in place. The Remuneration Committee is charged with the responsibility of reviewing and recommending to the Board the remuneration packages of Directors, Shariah Committee, CEO and KSOs. This will ensure that the Company remains competitive in terms of compensation and appropriate to attract, retain and motivate the caliber needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are consistent with the prudent management of the Company's affairs and not excessive.

Non-Executive Directors are paid Directors' fees, which are recommended by the Board for approval at the Company's AGM.

The Remuneration Committee reviews the Directors' remuneration on an annual basis and makes recommendations to the Board for any changes. No Director was involved in deciding his own remuneration.

**Audit Committee**

The Audit Committee comprised the following Directors:

Mr Norman Ip Ka Cheung (Chairman)  
Datuk Kamaruddin bin Taib  
Tuan Haji Jamaluddin bin Masrin

The members of the Audit Committee are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has the co-operation as well as full and independent access to the Company's Senior Management Team and Internal Auditors. The Audit Committee, in performing its functions, had met at least annually with the internal and external auditors, without the presence of Management. Adequate resources are made available to the Audit Committee to enable it to discharge its roles and responsibilities. The internal audit function is to provide an independent assurance on the adequacy, integrity, compliance and effectiveness of the Company's overall system of internal controls. The Chief Internal Auditor reports functionally to the Audit Committee and Group Chief Internal Auditor, and administratively to the CEO.

The Audit Committee carried out functions specified in the Companies Act, 1965, Islamic Financial Services Act, 2013, BNM Guidelines and other relevant guidelines and regulations.



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**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Audit Committee (Continued)**

The Audit Committee performed the following activities:

- (a) Reviewed with the internal auditor -
  - (i) their audit plans, their evaluation of the system of internal controls, and their audit findings; as well as Management's response to those findings;
  - (ii) the scope and results of the internal audit procedures and resources needed; and
  - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the external auditors -
  - (i) their audit plans prior to the commencement of the annual audit;
  - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval;
  - (iii) the scope and results of the audit procedures and its cost effectiveness and their independence and objectivity taking into consideration factors including the nature and extent of the non-audit services provided by them (if any);
  - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies or regulatory requirements on the financial statements together with the Senior Management Team;
  - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
  - (vi) the assistance given by the officers of the Company to the external auditors.
- (c) Reviewed, and evaluated, on behalf of the Board, the adequacy of the system of internal control, including accounting controls, taking input from external auditors, internal auditors, risk management and compliance functions.
- (d) Maintained an appropriate relationship with both the external auditors and internal auditors and met at least annually with the Management, external auditors and internal auditors in separate sessions, to consider any other matters which may be raised privately.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Audit Committee (Continued)**

- (e) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.
- (f) Made recommendation to the Board on the re-appointment of the external auditors and their remuneration and terms of engagement.

**Board Risk Committee**

The Board Risk Committee comprised Directors:

Datuk Kamaruddin bin Taib (Chairman)  
Mr Norman Ip Ka Cheung  
Mej. Jen. (B) Dato' Paduka Che Hasni bin Che Ahmad

The Board Risk Committee supports the Board in the overall risk management oversight of the Company and in ensuring the effectiveness and adequacy of the risk management process and practices put in place by the Company. The Board Risk Committee is responsible for the following:

Governance and Oversight

- (a) review the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board.
- (b) review and endorse frameworks, policies, strategies and limits relating to the Company's risk management, investment management, asset-liability management and liability management activities for the Board's approval.
- (c) endorse the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance Department for the Board's adoption.
- (d) review the appointment, annual performance evaluation and remuneration of the Head of Risk Management and Compliance, before submission to the Nominating Committee / Remuneration Committee for endorsement and the Board for approval.
- (e) review and recommend risk tolerance levels (Risk Appetite Statement and Regulatory Limits) for the Board's approval.
- (f) oversee the establishment and implementation of approved frameworks, policies, strategies and limits; and where required, endorse deviations from approved framework and policies.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Board Risk Committee (Continued)**

- (g) review the adequacy of risk management practices for material risks, such as market, credit, liquidity, takaful, operational, technology, regulatory and compliance risks on a regular basis.
- (h) review Management's frameworks, policies and strategies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks, policies and strategies.
- (i) review the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities.
- (j) initiate any review and action as appropriate for prudent risk management.
- (k) ensure that the risk management function has adequate infrastructure and resources, and that it is appropriately staffed with experienced and qualified employees who are sufficiently independent to perform their duties objectively.
- (l) review the scope, effectiveness and objectivity of the risk management function.

Risk Management

- (m) review reports to monitor and control the Company's risk exposures which include the Enterprise Risk Dashboard.
- (n) review and endorse the annual risk disclosures for the Board's approval.

Investment, Asset-liability and Liability Management

- (o) review and endorse annual strategic asset allocation and tactical asset allocation limits for the Board's approval.
- (p) review and endorse new risk exposures including new takaful product risk, new asset class, complex instruments/structures and investment transactions within the Limits Policy for the Board's approval.
- (q) review the assets and portfolios in the watchlist.
- (r) review reports to monitor and control Company's financial risk exposures, which include the Investment Dashboard.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)**

**Board Risk Committee (Continued)**

(s) undertake any other functions as directed or delegated by the Board.

**PART B. MANAGEMENT ACCOUNTABILITY**

Whilst the Board is responsible for establishing appropriate framework and policies within which the Company should operate, Management is accountable for affecting such policies and is responsible for accomplishing the Company's strategic objectives. All framework/policies/charters including the Authority Grid, have been reviewed by the Board Risk Committee or the Audit Committee and approved by the Board on an annual basis.

There is a clear division of responsibilities between top management positions. The Company has a structure that is well documented and clearly establishes the job description and authority limits between the senior management, line management and executive employees. Significant changes to the organisation structure have been communicated to the staff.

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the CEO, is in place and communicated to relevant staff. The Grid covers business strategy and growth including capital requirements, people, risk, donations, appointment of consultants and operational matters such as statement of financial position management, transaction approvals and write-offs.

Directors and relevant officers of the Company complied with the disclosure requirements and avoid conflicts of interest as enshrined in the Companies Act, 1965 and Islamic Financial Services Act, 2013. All tenders, investment activities and related party transactions of the Company were conducted at arm's-length, on reasonable commercial terms and in the ordinary course of business. All policies of the Company relating to underwriting, claims, retakaful and corporate communications as referred in the Framework were approved by the Board and are reviewed accordingly to keep abreast with changes.

**PART C. CORPORATE INDEPENDENCE**

The Company had met all the requirements of BNM Guidelines on "Related Party Transactions for Takaful Operators" (BNM/RH/GL 018-6) in respect of related party transactions of a material nature. The Company has implemented policies and procedures on related party transactions covering the definitions of related parties, limits applied, terms of transactions and the authorities and procedures for approving and monitoring such transactions. All material related party transactions are disclosed in Note 27 of the audited financial statements in accordance with Malaysian Financial Reporting Standard 124: Related Party Disclosures. The Board had set a stringent requirement that all related party transactions irrespective of materiality be submitted to the Audit Committee for review prior to their submission to the Board for approval or notation.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART D. INTERNAL CONTROLS AND OPERATING RISK MANAGEMENT**

The Board has overall responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective and efficient operations, risk management and internal controls, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and stakeholders' interests.

In terms of segregation of duties, procedures are in place to ensure that staff are not assigned with potential conflicting responsibilities, relating to amongst others, approvals, disbursements and administration of policies, premium or investment matters.

The investment limits that have considered the limits pursuant to BNM's Guidelines on "Risk-Based Capital Framework for Takaful Operators" (BNM/RH/GL 004-23) are in place to contain the Company's investment exposure. In addition, investment transactions are governed by the requirements set out in the Authority Grid. Both the investment limits and transactions are observed at all times by the Investment Department and monitored independently by the Risk Management and Compliance Department.

A Retakaful Management Strategy ("RMS") for the takaful risks covered by the Company is in place. The RMS defined the responsibility of the Board/Management in managing and operating the retakaful programme. Ceding of risks must comply with the Company's approved framework and waivers from the Company's holding company are required for breaches of limits.

All new takaful products are governed by the Company's Product Development and Pricing Policy. All products launched by the Company will require prior approvals of Management Committee, Group Actuarial and Shariah Committee. All new products launched in 2014 had been certified by the Appointed Actuary. A product risk assessment also formed part of the process for new product approvals, which includes considerations on risks relating to pricing, investment, marketing and support for the product. The Board Risk Committee is updated on the new products on quarterly basis.

Actuarial Department, together with Investment and Risk Management Departments, conducts half-yearly stress tests to ascertain the Company's financial condition under various risk scenarios.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART D. INTERNAL CONTROLS AND OPERATING RISK MANAGEMENT (CONTINUED)**

The Directors, CEO and Senior Management of the Company are committed to maintaining a risk-conscious culture in the Company. The Company has adopted its holdings company's Enterprise Risk Management Framework and other supplementary risk management frameworks have been adopted and they provide broad guiding principles and minimum standards on risk management. The Framework also affirms the role and responsibilities for risk management and establishes the monitoring and reporting requirements, which are all aimed at embedding sound risk management practices and culture within the business and ensuring that the Company continues to expand its business with the right risk management discipline, practices and processes in place. The Company has also established an Information Security Policy and related standards and guidelines to protect the confidentiality, integrity and availability of the Company's data.

The Compliance Matrix and Compliance Requirements Self-Assessment are tools to assist the respective Head of Departments in conducting self-assessment on the effectiveness of the compliance procedures and identification of compliance gaps. The Risk and Control Self Assessment process that is in place enables the various functions to identify and assess the management of risks and effectiveness of internal controls of the Company. Further, the Company had established its risk appetite statement, which is reviewed annually.

The Company has promoted the business strategy "Lean Six Sigma" that aligns best practices for variation and waste reduction in processes.

The Company has in place robust Business Continuity Management practices, with adequate facility for business resumptions. Disaster recovery and business continuity testing are carried out semi-annually and annually, respectively.

**Internal Audit**

The Company outsources its internal audit functions to Great Eastern Life Assurance (Malaysia) Berhad. The requirements of the BNM Guidelines on "Internal Audit Function of Licensed Institutions" (BNM/RH/GL013-4) have been met. The Audit Committee reviews the annual internal audit plan, the audit reports and follow-up actions taken by Management on audit observations made by the internal auditors.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective actions, where necessary, are taken in a timely manner. All audit reports are submitted to the Audit Committee, CEO and Management of the unit being audited within one month of completion of field work. Audit findings and recommendations are communicated to the Senior Management Team and monitored for resolution. The activities of the Audit Committee are submitted annually to BNM.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART E. PUBLIC ACCOUNTABILITY**

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has in place procedures and operational policies which are designed to ensure compliance with the "Provisions Relating To Takaful Certificates" under Sections 96 and 140 of the Islamic Financial Services Act, 2013 (as well as Schedule 8).

The Company had adopted a Code of Ethics and Conduct as well as other internal policies which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code of Ethics and Conduct also provides guidance on areas such as the Company's position against conflict of interest and the appropriate disclosures to be made, misuse of position, misuse of information, maintaining completeness, accuracy and confidentiality of information, and fair and equitable treatment to all policy owners and other stakeholders. The Code of Ethics and Conduct is available on the Company's staff intranet.

The members of the field force similarly would adhere to the circulars and directives in the form of Agency Rules and Regulations issued by the Company, the applicable Code of Ethics for Takaful Agents issued by Malaysian Takaful Association as well as requirements set out by BNM.

For the general public and certificate owners' convenience, information about the Company, products and customer service is made available on the Company website at [www.i-great.com](http://www.i-great.com).

Members of the public are made aware of avenues in which they can appeal against the Company's practices or decisions, if required, by alerting them via the takaful contracts to the existence of the Financial Mediation Bureau and BNM's Customer Services Bureau. Customer Feedback Forms are displayed and suggestion boxes are made available at Customer Service Counters. This is in compliance with the requirements of BNM Guidelines on "Claim Settlement Practices (Consolidated)" (BNM/RH/GL 004-17). The Company has in place a Treating Customer Fairly Policy that defines the responsibilities of Board and Management in ensuring that customers are treated fairly when dealing with the Company.

The BNM Guidelines on "Prohibitions Against Unfair Practices in Takaful Business" (BNM/RH/GL 004-2) was issued as part of a cohesive effort to promote higher standards of transparency, professionalism, greater market discipline and accountability in the conduct of the takaful business and protection of participants. The Company has implemented measures to enhance compliance of requirements prescribed in BNM/RH/GL 004-2. As part of its commitment to provide effective and fair services, a Complaint Handling Unit has been established in accordance with BNM Guideline on "Complaints Handling" (BNM/RH/GL 000-4) where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints were resolved in a fair and consistent manner.

All sales illustrations, marketing materials and takaful certificates for products are in compliance with the regulatory requirements and filed with BNM.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (as referred to in the Directors' Report) (CONTINUED)**

**PART E. PUBLIC ACCOUNTABILITY (CONTINUED)**

With the establishment of an Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Policy by the Company in ensuring compliance with relevant AML/CFT national laws, regulations and guidelines, the Company is constantly enhancing its AML/CFT measures focusing on areas relating to Know Your Customer/Customer Due Diligence ("KYC/CDD") at the stage of acceptance of new business. The robust KYC/CDD standards and processes in place act as a barrier in safeguarding the Company's interest by minimising the risk for the Company from being used as a platform for money laundering or terrorist financing activities.

The Company had instituted a Whistle-blowing Policy whereby staff and external parties may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits.

**Financial Reporting**

The Board has overall oversight responsibility, and exercises due care and diligence in ensuring that the Company's accounting records are properly kept. It also ensures that the financial statements are prepared and audited in accordance with approved accounting standards and in compliance with the regulatory and statutory requirements in Malaysia so as to give a true and fair view of the Company's financial position.

The Board and the Audit Committee are provided with regular comprehensive information and analyses on the financial reports together with explanation for any material variances of the financial data of the Company.

On a monthly basis, the business and operational performance reports are submitted to the Senior Management Team for review so that necessary remedial actions can be taken on any shortfall or variances against budgets. Minutes of the various risk oversight committees are tabled at the Board Risk Committee and Asset Liability Committee (management committee), as appropriate. The Board also takes note of the decisions and salient matters deliberated by the Board or Management Committees through the minutes of their meetings which are tabled to the Board.

The abridged financial statements of the Company are published in the national press. A full set of the financial statements of the Company is also displayed at all branch offices and posted on the Company's website.

In line with the implementation of the Goods and Services Tax ("GST") by 1 April 2015, the Company had already registered its business with the Royal Malaysia Customs. With the active participation by all operational units of the Company, the systems and processes of the Company have been enhanced to meet the requirements of GST where appropriate.

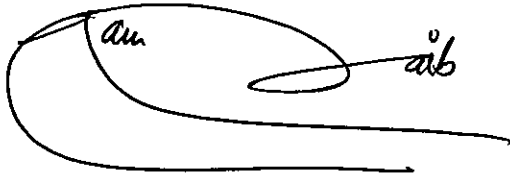


**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

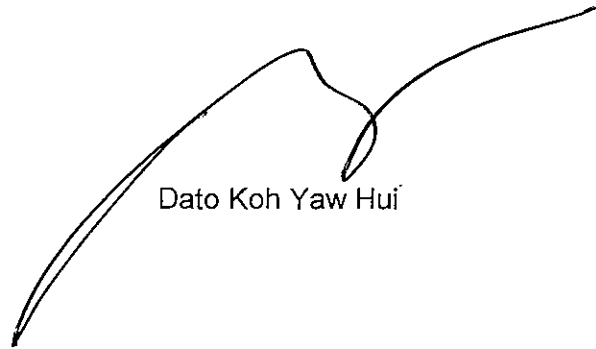
**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Datuk Kamaruddin bin Taib and Dato Koh Yaw Hui, being two of the Directors of Great Eastern Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 January 2015.



Datuk Kamaruddin bin Taib  
Kuala Lumpur



Dato Koh Yaw Hui

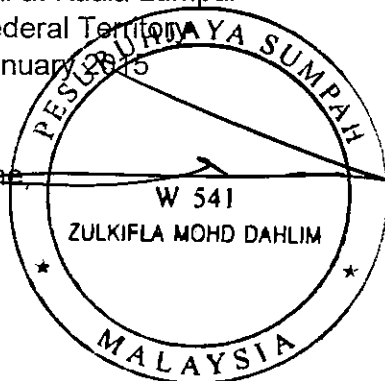
**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Rozita Ali, being the officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 150 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 )  
Rozita Ali at Kuala Lumpur )  
in the Federal Territory of )  
Kuala Lumpur )  
on 29 January 2015 )

  
Rozita Ali

Before me



**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORT OF THE SHARIAH COMMITTEE**

**Shariah Committee**

The Company is advised by a Shariah Committee, whose composition is as follows:

Dr. Ahmad Basri Ibrahim  
 Prof. Dr. Wan Sabri Wan Yusof  
 Dr. Akhtarzaite Abdul Aziz  
 Dr. Mohamad Sabri Zakaria  
 Dr. Siti Salwani Razali (*Appointed on 1 July 2011 and reappointed on 1 July 2014*)  
 Dr. Mahamad Arifin (*Appointed on 1 July 2011 and reappointed on 1 July 2014*)

The Shariah Committee meets at minimum six times a year. In 2014, the Shariah Committee met six times. The attendance of members at the Shariah Committee meetings is as follows:

Name	Number of meetings	
	Attended	Percentage (%)
Dr. Ahmad Basri Ibrahim	6/6	100%
Prof. Dr. Wan Sabri Wan	6/6	100%
Dr. Akhtarzaite Abdul Aziz	5/6	83%
Dr. Mohamad Sabri Zakaria	6/6	100%
Dr. Siti Salwani Razali	6/6	100%
Dr. Mahamad Arifin	6/6	100%

**STATEMENT BY THE SHARIAH COMMITTEE**

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and contracts relating to the transactions and applications introduced by Great Eastern Takaful Berhad during the period from 1 January 2014 to 31 December 2014. We have also conducted our review to form an opinion as to whether Great Eastern Takaful Berhad has complied with Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Great Eastern Takaful Berhad is responsible for ensuring that Great Eastern Takaful Berhad conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Great Eastern Takaful Berhad and to report to you.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORT OF THE SHARIAH COMMITTEE (CONTINUED)**

We have assessed the work carried out by Shariah review which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by Great Eastern Takaful Berhad. We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Great Eastern Takaful Berhad has not violated any Shariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by Great Eastern Takaful Berhad during the financial year from 1 January 2014 to 31 December 2014 that we have reviewed, are in compliance with Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or means prohibited by the Shariah principles have been considered for disposal to charitable causes; and
4. the calculation of zakat is in compliance with Shariah principles.

We, Dr. Ahmad Basri Ibrahim and Dr. Mohamad Sabri Zakaria, being two of the members of the Shariah Committee of Great Eastern Takaful Berhad, do hereby confirm that the operations of Great Eastern Takaful Berhad for the financial year from 1 January 2014 to 31 December 2014 were conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee.



Dr. Ahmad Basri Ibrahim  
Kuala Lumpur



Dr. Mohamad Sabri Zakaria

916257-H

Independent auditors' report to the members of  
Great Eastern Takaful Berhad  
(Incorporated in Malaysia)

Report on the financial statements.

We have audited the financial statements of Great Eastern Takaful Berhad, which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 150.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Building a better  
working world

916257-H

Independent auditors' report to the members of  
Great Eastern Takaful Berhad (Continued)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Reporting on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

*Ernst & Young*

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

29 January 2015

Brandon Bruce Sta Maria

No. 2937/09/15(J)

Chartered Accountant

GREAT EASTERN TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014

Assets	Note	2014			2013		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Motor vehicle and equipment	4	6,272	-	6,272	4,531	-	4,531
Intangible assets	5	4,324	-	4,324	5,554	-	5,554
Investment assets:							
AFS financial assets	6(a)	63,654	82,068	136,963	79,491	23,075	91,078
Financial assets at FVTPL	6(b)	-	63,577	63,577	-	57,667	57,667
Loans and receivables	6(c)	9,200	68,730	77,930	3,460	31,910	35,370
Takaful receivables	7	-	12,619	12,619	-	6,439	6,439
Retakaful assets	8	-	33,250	33,250	-	31,728	31,728
Other receivables	9	25,877	1,326	2,614	10,067	585	1,551
Deferred tax asset	10	4,373	-	4,809	5,916	-	6,538
Tax recoverable		-	21	21	-	-	-
Cash and bank balances		2,350	8,002	10,352	4,300	8,007	12,307
<b>Total assets</b>		<b>116,050</b>	<b>269,593</b>	<b>352,731</b>	<b>113,319</b>	<b>159,411</b>	<b>252,763</b>
<b>Equity</b>							
Share capital	11	120,000	-	120,000	120,000	-	120,000
Accumulated losses		(36,049)	-	(36,049)	(38,349)	-	(38,349)
Available-for-sale reserves		738	-	(570)	1,811	-	(55)
<b>Total equity</b>		<b>84,689</b>	-	<b>83,381</b>	<b>83,462</b>	-	<b>81,596</b>
<b>Liabilities and participants' fund</b>							
Provision for zakat		75	-	75	-	-	-
Provision for taxation		-	-	-	-	265	265
Expense liabilities	12	7,011	-	7,011	6,759	-	6,759
Takaful certificate liabilities	13	-	185,861	214,468	-	102,138	112,060
Participants' fund	14	-	35,622	-	-	18,922	-
Deferred tax liability	10	-	3	3	-	320	320
Amounts due to related companies	15	3,893	-	3,893	4,204	-	4,204
Takaful payables	16	4,295	13,650	17,945	4,831	5,842	10,673
Other payables	17	13,036	34,457	22,904	9,928	31,924	32,751
Provisions	18	3,051	-	3,051	4,135	-	4,135
<b>Total liabilities and participants' fund</b>		<b>31,361</b>	<b>269,593</b>	<b>269,350</b>	<b>29,857</b>	<b>159,411</b>	<b>171,167</b>
<b>Total equity, liabilities and participants' fund</b>		<b>116,050</b>	<b>269,593</b>	<b>352,731</b>	<b>113,319</b>	<b>159,411</b>	<b>252,763</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 1 JANUARY 2013**

	1 January 2013		
	Shareholders' fund	Family takaful fund	Company
Note	RM'000	RM'000	RM'000
<b>Assets</b>			
Motor vehicle and equipment	4,038	-	4,038
Intangible assets	619	-	619
Investment assets:			
AFS financial assets	70,651	6,502	67,209
Financial assets at FVTPL	9,998	39,581	49,579
Loans and receivables	10,600	4,314	14,914
Takaful receivables	-	6,275	6,275
Retakaful assets	-	9,986	9,986
Other receivables	3,561	141	943
Deferred tax asset	6,817	-	7,054
Cash and bank balances	1,306	5,471	6,777
<b>Total assets</b>	<b>107,590</b>	<b>72,270</b>	<b>167,394</b>
<b>Equity</b>			
Share capital	120,000	-	120,000
Accumulated losses	(34,295)	-	(34,295)
Available-for-sale reserves	1,569	-	862
<b>Total equity</b>	<b>87,274</b>	<b>-</b>	<b>86,567</b>
<b>Liabilities and participants' fund</b>			
Provision for taxation	-	86	86
Expense liabilities	7,066	-	7,066
Takaful certificate liabilities	-	38,380	33,908
Participants' fund	-	4,528	-
Deferred tax liability	-	99	99
Amounts due to related companies	4,503	-	4,503
Takaful payables	1,474	12,776	14,250
Other payables	4,624	16,401	18,266
Provisions	2,649	-	2,649
<b>Total liabilities and participants' fund</b>	<b>20,316</b>	<b>72,270</b>	<b>80,827</b>
<b>Total equity, liabilities and participants' fund</b>	<b>107,590</b>	<b>72,270</b>	<b>167,394</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014			2013		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Wakalah fee income</b>	94,189	-	-	91,520	-	-
Gross earned contributions	-	263,532	263,532	-	182,073	182,073
Earned contributions ceded to retakaful operators	-	(41,114)	(41,114)	-	(22,825)	(22,825)
<b>Net earned contributions</b>	-	222,418	222,418	-	159,248	159,248
Investment income	2,908	4,972	7,880	2,990	2,248	5,238
Realised gains and losses	1,156	909	1,050	492	978	1,470
Fair value gains and losses	-	(2,962)	(2,962)	1	1,827	1,828
Fee and commission income	4,659	1,461	1,396	3,528	404	380
Other operating revenue	38	55	93	43	39	82
<b>Other revenue</b>	8,761	4,435	7,457	7,054	5,496	8,998
Gross benefits and claims paid	-	(52,554)	(49,554)	-	(24,840)	(24,840)
Claims ceded to retakaful operators	-	33,130	33,130	-	16,605	16,605
Gross change in certificate liabilities	-	(83,723)	(102,887)	-	(63,758)	(78,297)
Change in certificate liabilities ceded to retakaful operators	-	1,522	1,522	-	21,742	21,742
<b>Net benefits and claims</b>	-	(101,625)	(117,789)	-	(50,251)	(64,790)
<b>Wakalah fee expense</b>	-	(94,189)	-	-	(91,520)	-
Commission expenses/administration fee	(49,257)	(4,177)	(49,226)	(58,821)	(3,428)	(58,953)
Management expenses	(58,482)	(524)	(58,490)	(47,627)	(262)	(47,633)
Change in expense liabilities	(252)	-	(252)	307	-	307
Taxation of family takaful business	-	157	157	-	(409)	(409)
<b>Other expenses</b>	(107,991)	(98,733)	(107,811)	(106,141)	(95,619)	(106,688)
<b>Operating (loss)/profit before surplus transfers</b>	(5,041)	26,495	4,275	(7,567)	18,874	(3,232)
Surplus attributable to participants	-	(17,179)	-	-	(14,539)	-
Surplus attributable to shareholders	9,316	(9,316)	-	4,335	(4,335)	-
<b>Profit/(loss) before zakat and taxation</b>	4,275	-	4,275	(3,232)	-	(3,232)
Zakat	(75)	-	(75)	-	-	-
Taxation	(1,900)	-	(1,900)	(822)	-	(822)
<b>Net profit/(loss) for the year</b>	2,300	-	2,300	(4,054)	-	(4,054)
<b>Profit/(loss) per share (sen)</b>						
Basic	1.9	-	1.9	(3.4)	-	(3.4)

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



GREAT EASTERN TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014			2013		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit/(loss) for the year	2,300	-	2,300	(4,054)	-	(4,054)
Other comprehensive (loss)/income:						
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:						
Net (loss)/gain on Available-for-sale ("AFS") financial assets: (Loss)/gain on fair value changes	(1,430)	(520)	(1,165)	321	(158)	(1,368)
Deferred tax relating to components of other comprehensive income	367	41	171	(79)	13	306
Other comprehensive loss attributable to participants	-	479	479	-	145	145
Other comprehensive (loss)/income for the year, net of tax	(1,073)	-	(515)	242	-	(917)
<b>Total comprehensive income/(loss) for the year</b>	<b>1,227</b>	<b>-</b>	<b>1,785</b>	<b>(3,812)</b>	<b>-</b>	<b>(4,971)</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

Attributable to Equity Holder of the Company

	Share capital RM'000 (Note 11)	Non- distributable Available-for sale reserves RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 January 2013</b>	120,000	862	(34,295)	86,567
Net loss for the year	-	-	(4,054)	(4,054)
Other comprehensive loss	-	(917)	-	(917)
Total comprehensive loss	-	(917)	(4,054)	(4,971)
<b>At 31 December 2013</b>	<u>120,000</u>	<u>(55)</u>	<u>(38,349)</u>	<u>81,596</u>
<b>At 1 January 2014</b>	120,000	(55)	(38,349)	81,596
Net profit for the year	-	-	2,300	2,300
Other comprehensive loss	-	(515)	-	(515)
Total comprehensive (loss)/ income	-	(515)	2,300	1,785
<b>At 31 December 2014</b>	<u>120,000</u>	<u>(570)</u>	<u>(36,049)</u>	<u>83,381</u>

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

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) before zakat and taxation		4,275	(3,232)
Adjustments for:			
Depreciation for motor vehicle and equipment	4, 24	985	766
Amortisation of intangible assets	5, 24	1,475	1,264
Investment income	19	(7,880)	(5,238)
Realised gains and losses	20	(1,050)	(1,470)
Fair value gains and losses	21	2,962	(1,828)
Write off of motor vehicle and equipment	4, 24	-	86
Operating loss before working capital changes		767	(9,652)
Purchase of investment assets		(53,936)	(31,498)
Increase in takaful certificate liabilities		100,745	78,706
Increase in retakaful assets		(1,522)	(21,742)
(Increase)/decrease in other receivables		(6,983)	6,388
(Decrease)/increase in other payables		(3,407)	5,375
Net change in balance with related companies		(311)	(299)
Cash generated from operating activities		35,353	27,278
Income tax paid		(451)	-
Investment income received		8,674	6,252
<b>Net cash generated from operating activities</b>		<b>43,576</b>	<b>33,530</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of motor vehicle and equipment	4	(2,726)	(1,436)
Purchase of intangible assets	5	(245)	(6,108)
<b>Net cash used in investing activities</b>		<b>(2,971)</b>	<b>(7,544)</b>
Net increase in cash and cash equivalents		40,605	25,986
Cash and cash equivalents at beginning of year		47,677	21,691
<b>Cash and cash equivalents at end of year</b>		<b>88,282</b>	<b>47,677</b>
Cash and cash equivalents comprise of:			
Cash and bank balances		10,352	12,307
Short term Islamic investment accounts with maturity period of less than 3 months	6(c)	77,930	35,370
		<b>88,282</b>	<b>47,677</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014**

**1. CORPORATE INFORMATION**

The Company was incorporated as a private limited liability company on 29 September 2010, incorporated under the Companies Act, 1965 and domiciled in Malaysia. On 10 December 2013, the status of the Company was converted from a private company to a public company.

The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 3, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The Company is principally engaged in managing family takaful business including takaful investment-linked business. There has been no significant change in the principal activity during the financial year.

The immediate holding company is I Great Capital Holdings Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 January 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Company had fully adopted the amendments to MFRS and IC Interpretation as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

In preparing the Company-level financial statements, the balances and transactions of the shareholders' fund are amalgamated and combined with those of the family takaful fund. Interfund balances, transactions and unrealised gains and losses are eliminated in full during amalgamation. The accounting policies adopted for shareholders' fund and family takaful fund are uniform for like transaction and events in similar circumstances.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 BASIS OF PREPARATION (CONTINUED)**

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's licence to manage takaful business is withdrawn or surrendered.

**Takaful operations and its funds**

Under the concept of takaful, individuals make contributions to a pool which is managed by a takaful operator with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company is not a participant of the family takaful fund but manages the fund in line with the principles of Wakalah bi al-Ujrah (agency with fees) which is the business model adopted by the Company. The takaful operator manages both the shareholders' fund and the family takaful fund (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013 and, previously, the Takaful Act 1984, the assets and liabilities of the family takaful fund is segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 Consolidated Financial Statements, the assets, liabilities, income and expenses of the family takaful fund are consolidated with those of the takaful operator to represent the control of the operator over the fund.

The inclusion of separate information of the family takaful fund and the takaful operator together with the consolidated financial information of the Company in the statement of the financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The Company has met the minimum capital requirements as prescribed by the Risk Based Capital for Takaful ("RBCT") Framework as at the statement of financial position date.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Motor vehicle and equipment and depreciation**

Motor vehicle and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of motor vehicle and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the motor vehicle and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of motor vehicle and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of motor vehicle and equipment.

Depreciation of motor vehicle and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. Work-in-progress is not depreciated until such time that it is available for active use. The annual depreciation rates are:

Motor vehicles	20%
Computer equipment	20% - 33%
Furniture and fittings	10%
Office equipment	10%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of motor vehicle and equipment.

An item of motor vehicle and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the income statement.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Intangible assets and amortisation**

Intangible assets include those with definite lives such as distribution agreement, capitalised software and computer software licences. Distribution agreement and other finite life intangible assets are amortised over their useful economic life in relation to the associated income from the related business and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Software intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software development costs are incurred for the development of software for the takaful family administration system and the distribution channel management system. These costs are amortised over a period of 4 years or 25% on a straight line basis from the date of system commissioning.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

**(c) Investments and financial assets**

The Company classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification is dependent on the purpose for which the financial assets were acquired or originated.

Financial assets are classified as FVTPL where the Company's documented investment strategy is to manage financial assets on a fair value basis to match related liabilities.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

The AFS category is used when the relevant liabilities are passively managed and/or carried at amortised cost. All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

**(i) Financial assets at FVTPL**

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

The following criteria must be met for an asset to be designated at FVTPL:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets classified as FVTPL also include Islamic private debt securities.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

**(ii) LAR**

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and includes trade and other receivables.



**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**(ii) LAR (Continued)**

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the investment cost.

After initial measurement, loans and receivables are measured at amortised cost, using the effective profit method, less allowance for impairment. Gains and losses are recognised in the income statement when the assets are de-recognised or impaired, as well as through the amortisation process.

**(iii) AFS**

AFS are non-derivative financial assets not classified in any of the preceding asset categories.

After initial recognition, AFS are measured at fair value. Any gains or losses from changes in fair value of the assets are recognised in the fair value reserve in the statement of comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method, which is recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is de-recognised.

**(d) Takaful receivables**

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit method.

If there is objective indication that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivables accordingly and the impairment loss is recognised in the income statement. The Company gathers objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h)(i).

**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Takaful receivables (Continued)**

Takaful receivables are de-recognised when the criteria for de-recognition for financial assets, as described in Note 2.2(j), have been met.

All financial assets, except for those measured at FVTPL, are subject to review for impairment as in Note 2.2(h).

**(e) Financial liabilities and takaful payables**

Financial liabilities and takaful payables are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

**(i) Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

**(ii) Other financial liabilities**

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and de-recognised, as applicable, using the trade date accounting. Trade date accounting refers to:

- (i) The recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(g) Fair value measurement**

The Company measures some financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Fair value measurement (Continued)**

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on reporting date.

Fair value for investments in quoted unit trusts - REITS, and similar investments, is determined by reference to published net asset values. Investments in quoted Shariah-approved equities that are not quoted in an active market and whose fair value cannot be reliably measured will be stated at cost.

In cases where the fair value cannot be reliably measured, the financial instruments are stated at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

**(i) Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

Subsequently, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

**(ii) Assets carried at cost**

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

**GREAT EASTERN TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Impairment of financial assets (Continued)**

**(iii) AFS financial assets**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

When assessing the impairment of an equity instrument, the Company takes into consideration, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in equity instrument may not be recovered, impairment loss is provided.

**(i) Impairment of non-financial assets**

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured in reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and 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. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Derecognition of financial assets and liabilities**

A financial asset is de-recognised when:

- (i) The contractual right to receive cash flows from the financial asset has expired.
- (ii) The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party.
- (iii) The Company has transferred its rights to receive cash flows from the asset and either:
  - Has transferred substantially all the risks and rewards of the asset; or
  - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of:

- (i) The consideration received (including any new asset obtained less any new liability assumed); and
- (ii) Any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Derecognition of financial assets and liabilities (Continued)**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

**(k) Employee benefits**

**(i) Defined contribution plans under statutory regulations**

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

**(ii) Employee leave entitlements**

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Company's Human Resource policy.

**(l) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits is required to settle the obligation, the provision is reversed. Where the effect of time value money is material, provision is discounted using a current pre-tax rate that reflects current market assessments of the time value and the risk specific to the liability. Any increase due to the passage of time is recognised as finance cost.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Income tax**

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the year and is measured using tax rates that have been enacted at the reporting date.

In addition to paying tax on shareholders' profit, the family takaful business pays tax on participants' investment returns at a tax rate of 8%. Tax on participants' investment returns is recognised as an expense and disclosed separately under taxation of family takaful business in the income statement.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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 taxed losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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 reporting 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.

**(n) Family takaful fund**

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and consists of AFS reserves and accumulated surplus in the fund attributable to participants which represents the participants' share in AFS reserves and net surplus of the family takaful fund. The family takaful fund surplus or deficit is determined by the Company's appointed actuary by an annual actuarial valuation of the family takaful fund.

Surplus distributable to participants is determined after deducting claims or benefits paid and payable, retakaful, provisions, reserves and wakalah fees and distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. Actual commissions and management expenses are paid from the shareholders' fund.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Family takaful fund (Continued)**

**(i) Contribution income**

Contribution is recognised as soon as the amount of the contribution can be reliably measured.

- For recurring contribution business, first year contribution is recognised from inception date and subsequent contribution is recognised when due.
- For single contribution business, revenue is recognised on the date on which the certificate is effective.
- Contributions from the investment-linked business are recognised as revenue when payment is received.

**(ii) Creation or cancellation of units**

Net creation of units which represent contributions paid by participants or unit holders as payments for new certificate or subsequent payments to increase the amount of that certificate are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

Creation or cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase or sell units is received from the participants or unit holders.

**(iii) Benefits and claim expenses**

A liability for outstanding claims is recognised when a claimable event occurs and/or the Company is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- Death, surrender and other benefits without due dates are treated as claims payables on the date of receipt of intimation of death of the participant or occurrence of the contingency covered.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Family takaful fund (Continued)**

**(iv) Actuarial liabilities**

The actuarial liability is calculated using the discounted cash flow method. This is to ensure that any future negative cash flows arising from insufficient tabarru' charges to meet expected benefit outgo are eliminated. Family takaful liabilities are recognised when certificates are entered into and contribution is charged.

The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of liabilities.

In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount, as declared to the participants, are set as liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off certificates are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off.

The liability is de-recognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful liabilities are adequate by using a liability adequacy test.

Any inadequacy is recorded in the income statement by establishing technical reserves for the loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. Losses arising from liability adequacy testing can be reversed in future years if the impairment no longer exists.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Product classification**

The family takaful fund consists of certificates that transfer takaful and financial risks. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the certificate. Takaful risk is risk other than financial risk.

Takaful certificates are those certificates that transfer significant takaful risk. A takaful certificate is a certificate under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate participants if a specified uncertain future event (the covered event) adversely affects participants. As a general guideline, to determine whether a certificate has significant takaful risk, benefits paid are compared with benefits payable if the covered event did not occur.

Investment certificates are those certificates that do not transfer significant takaful risk. There are no certificates that are classified as investment certificates in the family takaful fund.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Takaful certificates in the current portfolio are classified as being without discretionary participation features ("DPF") as it does not satisfy the criteria for DPF. DPF is a contractual right to receive additional benefits that are supplemental to guaranteed benefits and:

- (i) Are likely to be a significant portion of the total contractual benefits;
- (ii) Whose amount or timing is contractually at the discretion of the issuer; and
- (iii) That are contractually based on the:
  - Performance of a specified pool of certificates or a specified type of contract; or
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - Profit or loss of the fund.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Retakaful**

The Company cedes takaful risk in the normal course of business for all its business. Ceded retakaful arrangements do not relieve the Company from their obligations to participants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis.

Retakaful arrangements entered into by the Company that meet the classification requirements of takaful certificates as described in Note 2.2(o) are accounted for as described below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the Company during the year met the classification requirements of takaful certificates.

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that retakaful assets are impaired. Objective evidence of impairment for retakaful assets are similar to those established for takaful receivables as described in Notes 2.2(d) and 2.2(h)(i).

If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The impairment loss is recognised in the income statement.

Retakaful assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**(q) Other revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and/or takaful fund, and the amount of the revenue can be measured reliably.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Other revenue recognition (Continued)**

**Profit income**

Profit income is recognised on a time proportion basis that takes into account the effective profit of the asset.

**(r) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

**(s) Zakat**

This represents tithes payable by the Company to comply with the principles of Shariah and is approved by the Shariah Committee of the Company. Zakat is calculated based on 2.577% of the net asset method and is only provided when there is a commitment or obligation to pay at the end of financial year, as approved by the Shariah Committee.

**(t) Shareholders' fund**

**(i) Wakalah fees, commission expenses and management expenses**

In accordance with the principles of wakalah, as approved by the Shariah Committee of the Company and agreed between the participants and the Company, an agreed percentage of the gross contribution will be charged by the shareholders' fund, on an upfront basis on the participants' contribution as wakalah fees.

The wakalah fees charged by the shareholders' fund are used to pay all management and commission expenses in the shareholders' fund, which are incurred on behalf of the family takaful fund. All management expenses are recognised in the shareholders' fund as incurred.

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates are recognised in the shareholders' fund as incurred and properly allocated to the periods in which it is probable they give rise to income.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Shareholders' fund (Continued)**

**(ii) Expense liabilities**

The expense liabilities of the shareholders' fund consist of expense liabilities of the family takaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the takaful certificates and recognised in the income statement.

**Expense liabilities of family takaful fund**

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary in the shareholders' fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates.

In valuing the expense liabilities, the present value of expected future expenses payable by the shareholders' fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholders' fund that can be determined with reasonable certainty, are taken into consideration.

**Liability adequacy test**

At each financial year end, the Company reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

**(u) Foreign currencies**

**(i) Functional and presentation currency**

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Foreign currencies (continued)**

**(ii) Foreign currency transactions**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and translation of monetary items are included in the income statement.

The principal exchange rate for every unit of Singapore Dollar ruling at the reporting date used is RM2.64.

**(v) Equity instruments**

**Ordinary shares**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

**Redeemable preference share**

The redeemable preference shares are initially recognised at the proceeds received less attributable transaction costs and subsequently carried at that value, which equals redemption value. The dividends on these shares are non-discretionary and recognised in the statement of changes in equity in the period in which they are declared.

**(w) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(w) Leases (continued)**

**Operating leases – Company as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(x) Measurement and Impairment of Qard**

Any deficit in the family takaful fund is made good via a benevolent loan, or Qard, granted by the shareholders' fund to the family takaful fund. The Qard is stated at cost less any impairment losses in the shareholders' fund. In the family takaful fund, the Qard is stated at cost. The Qard shall be repaid from future surpluses of the family takaful fund.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cashflows from the family takaful fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised in the income statement, is recognised in the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**(a) New and amended standards and interpretations**

The amendments to standards and interpretation that are effective for the Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 127: *Investment Entities*
- Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139: *Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21 *Levies*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**(a) New and amended standards and interpretations (Continued)**

The adoptions of these amendments to standards and interpretation did not have any effect on the financial performance or position of the Company, except as disclosed below:

(i) Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. The Company has assessed whether certain of its financial asset and financial liability qualify for offset based on the criteria set out in the amendments and the following are the impacts on the amounts recognised in the statement of financial position of the Family takaful fund:

	As previously stated RM'000	Reclassifi- cation RM'000	As restated RM'000
<b><u>Family takaful fund</u></b>			
<b>31 December 2013</b>			
Takaful receivables	27,176	(20,737)	6,439
Takaful payables	26,579	(20,737)	5,842
<b>1 January 2013</b>			
Takaful receivables	12,988	(6,713)	6,275
Takaful payables	19,489	(6,713)	12,776
<b><u>Company</u></b>			
<b>31 December 2013</b>			
Takaful receivables	27,176	(20,737)	6,439
Takaful payables	31,410	(20,737)	10,673
<b>1 January 2013</b>			
Takaful receivables	12,988	(6,713)	6,275
Takaful payables	20,963	(6,713)	14,250

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**(b) Reclassification of cash flow statement**

Short term deposits which mature within 3 months was previously not included as part of cash and cash equivalents in the cash flow statement, and was disclosed as part of the increase or decrease in Loans and Receivables (LAR) under cash used in operating activities. However, for the current year presentation, the short term deposits will be presented as part of cash and cash equivalents, in line with MFRS 107: *Statement of cash flows*.

**Reconciliation of cash flow statement**

<b>31 December 2013</b>	<b>As previously stated RM'000</b>	<b>Reclassifi- cation RM'000</b>	<b>As restated RM'000</b>
Cash used in operating activities	<u>6,822</u>	<u>20,456</u>	<u>27,278</u>
Net cash flow generated from operating activities	<u>13,074</u>	<u>20,456</u>	<u>33,530</u>
Net increase in cash and cash equivalents	<u>5,530</u>	<u>20,456</u>	<u>25,986</u>
Cash and cash equivalents at beginning of year	<u>6,777</u>	<u>14,914</u>	<u>21,691</u>
Cash and cash equivalents at end of year	<u>12,307</u>	<u>35,370</u>	<u>47,677</u>

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 STANDARDS ISSUED BUT NOT EFFECTIVE**

As at the date of authorisation of these financial statements, the following new standards, amendments to standards and improvements to published standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

**Effective for financial periods beginning on or after 1 July 2014**

- Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to MFRSs 2010-2012 Cycle: *Amendments to MFRS 2 Share-based Payment*
- Annual Improvements to MFRSs 2010-2012 Cycle: *Amendments to MFRS 3 Business Combinations*
- Annual Improvements to MFRSs 2010-2012 Cycle: *Amendments to MFRS 8 Operating Segments*
- Annual Improvements to MFRSs 2010-2012 Cycle: *Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets*
- Annual Improvements to MFRSs 2010-2012 Cycle: *Amendments to MFRS 124 Related Party Disclosures*
- Annual Improvements to MFRSs 2011-2013 Cycle: *Amendments to MFRS 3 Business Combinations*
- Annual Improvements to MFRSs 2011-2013 Cycle: *Amendments to MFRS 13 Fair Value Measurement*
- Annual Improvements to MFRSs 2011-2013 Cycle: *Amendments to MFRS 140 Investment Property*

**Effective for financial periods beginning on or after 1 January 2016**

- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

**Effective for financial periods beginning on or after 1 January 2017**

- MFRS 15 *Revenue from Contracts with Customers*

**Effective for financial periods beginning on or after 1 January 2018**

- MFRS 9 *Financial Instruments*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)**

The management expects that the adoption of the above new standards, amendments to standards and improvements to published standards will have no material impact on the financial statements in the period of initial application except as discussed below:

*MFRS 9 Financial Instruments*

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review in the upcoming year.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company exercises due care in making estimates, judgments and assumptions that have an effect on the amount reported for revenues, expenses, assets and liabilities at the end of the financial year. However, there are some uncertainties that could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**3.1 Critical judgments made in application of accounting policies**

The following judgments are made by the management in the process of applying the Company's accounting policies that have the most significant impact on the financial statements. These judgments are continuously evaluated and are based on historical experiences and other factors, including expectations of future events that are reasonable and relevant under the circumstances.

**(a) Impairment of AFS financial assets (Note 6(a))**

Significant judgment is required to assess impairment for AFS financial assets. The Company takes into consideration the duration and extent to which the fair value of an investment is less than its cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

**3.1 Critical judgments made in application of accounting policies (Continued)**

**(b) Impairment of receivables (Note 7, 8 and 9)**

The Company reviews its receivables on a regular basis to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment required. Such estimates are based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

**(c) Deferred tax assets (Note 10)**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgment is also required about application of income tax legislation. These judgments and assumptions are subject to risks and uncertainties hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

**3.2 Key sources of estimation uncertainty (Continued)**

**Uncertainty in accounting estimates for family takaful certificate liabilities (Note 13)**

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths at industry rates, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of death determines the value of possible future benefits paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures.

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

The principal uncertainty in the shareholders' fund takaful contract liabilities arises from the technical provisions, which comprise the expense liabilities.

The unexpired expense reserve for family business is estimated assuming that the block of in-force certificates are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the certificates so valued are taken as a particular sub-block of certificates and the maintenance expenses for which are valued to the point the last certificate goes off the books.

The maintenance expenses related to such certificates include the cost of functions that is normally associated with the operations of a business on a 'going concern' basis.

The unexpired expense reserve is calculated using adjusted parameters to provide sufficient reserves at the appropriate percentile of statistical variation that is higher than the best estimate values. It is the present value of future maintenance expenses on the current in-force family takaful certificates and is further reduced by the present value of future shareholders income that can be realised with reasonable certainty relating to those in-force family takaful certificates.

All of these will give rise to estimation uncertainties of projected expense liability of the shareholders' fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

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**4. MOTOR VEHICLE AND EQUIPMENT**

<u>Shareholders' fund/ Company</u>	<b>Motor vehicles</b> RM'000	<b>Computer equipment</b> RM'000	<b>Furniture, fittings and office equipment</b> RM'000	<b>Work-in- progress</b> RM'000	<b>Total</b> RM'000
<b>2014</b>					
<b>Cost</b>					
At 1 January 2014	336	730	4,379	600	6,045
Additions	-	574	132	2,020	2,726
Transfer	-	-	209	(209)	-
At 31 December 2014	<u>336</u>	<u>1,304</u>	<u>4,720</u>	<u>2,411</u>	<u>8,771</u>
<b>Accumulated depreciation</b>					
At 1 January 2014	(56)	(328)	(1,130)	-	(1,514)
Charge for the year	(67)	(222)	(696)	-	(985)
At 31 December 2014	<u>(123)</u>	<u>(550)</u>	<u>(1,826)</u>	<u>-</u>	<u>(2,499)</u>
<b>Net book value</b>					
At 31 December 2014	<u>213</u>	<u>754</u>	<u>2,894</u>	<u>2,411</u>	<u>6,272</u>
<b>2013</b>					
<b>Cost</b>					
At 1 January 2013	-	554	3,794	438	4,786
Additions	336	267	584	249	1,436
Written-off	-	-	-	(86)	(86)
Transfer	-	-	1	(1)	-
Reclassified to intangible assets (Note 5)	-	(91)	-	-	(91)
At 31 December 2013	<u>336</u>	<u>730</u>	<u>4,379</u>	<u>600</u>	<u>6,045</u>
<b>Accumulated depreciation</b>					
At 1 January 2013	-	(224)	(524)	-	(748)
Charge for the year	(56)	(141)	(606)	-	(803)
Reclassified to intangible assets (Note 5)	-	37	-	-	37
At 31 December 2013	<u>(56)</u>	<u>(328)</u>	<u>(1,130)</u>	<u>-</u>	<u>(1,514)</u>
<b>Net book value</b>					
At 31 December 2013	<u>280</u>	<u>402</u>	<u>3,249</u>	<u>600</u>	<u>4,531</u>



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## 5. INTANGIBLE ASSETS

<u>Shareholders' fund/Company</u>	Computer software and licences RM'000	Distribution agreement RM'000	Total RM'000
<b>2014</b>			
<b>Cost</b>			
At 1 January 2014	953	6,000	6,953
Additions	245	-	245
At 31 December 2014	<u>1,198</u>	<u>6,000</u>	<u>7,198</u>
<b>Accumulated amortisation</b>			
At 1 January 2014	(399)	(1,000)	(1,399)
Charge for the year	(275)	(1,200)	(1,475)
At 31 December 2014	<u>(674)</u>	<u>(2,200)</u>	<u>(2,874)</u>
<b>Net book value</b>			
At 31 December 2014	<u>524</u>	<u>3,800</u>	<u>4,324</u>
<b>2013</b>			
<b>Cost</b>			
At 1 January 2013	754	-	754
Additions	108	6,000	6,108
Reclassified from computer equipment (Note 4)	91	-	91
At 31 December 2013	<u>953</u>	<u>6,000</u>	<u>6,953</u>
<b>Accumulated amortisation</b>			
At 1 January 2013	(135)	-	(135)
Charge for the year	(227)	(1,000)	(1,227)
Reclassified from computer equipment (Note 4)	(37)	-	(37)
At 31 December 2013	<u>(399)</u>	<u>(1,000)</u>	<u>(1,399)</u>
<b>Net book value</b>			
At 31 December 2013	<u>554</u>	<u>5,000</u>	<u>5,554</u>

The distribution agreement with Bank Muamalat Malaysia Berhad is amortised on a straight-line basis over the life of the agreement, which is 5 years.

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**6. INVESTMENT ASSETS**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Quoted Shariah-approved equities	7,537	14,579	22,116
Unit trusts - REITS	207	179	386
Government investment issues	11,529	32,396	43,925
Islamic private debt securities	35,622	34,914	70,536
Units held in investment-linked fund	8,759	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	41,847	41,847
Government investment issues	-	5,763	5,763
Islamic private debt securities	-	15,967	15,967
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	9,200	68,730	77,930
	<u>72,854</u>	<u>214,375</u>	<u>278,470</u>

The funds' and Company's investment assets are summarised by categories as follows:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets (Note 6(a))	63,654	82,068	136,963
Financial assets at FVTPL (Note 6(b))	-	63,577	63,577
Loans and receivables (Note 6(c))	9,200	68,730	77,930
	<u>72,854</u>	<u>214,375</u>	<u>278,470</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

2013	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Quoted Shariah-approved equities	6,686	4,822	11,508
Unit trusts - REITS	192	96	288
Government investment issues	20,427	10,603	31,030
Islamic private debt securities	40,698	7,554	48,252
Units held in investment-linked fund	11,488	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	20,483	20,483
Financial instruments with embedded derivatives	-	14	14
Unit trusts - REITS	-	189	189
Government investment issues	-	24,970	24,970
Islamic private debt securities	-	12,011	12,011
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	3,460	31,910	35,370
	<u>82,951</u>	<u>112,652</u>	<u>184,115</u>

The funds' and Company's investment assets are summarised by categories as follows:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets (Note 6(a))	79,491	23,075	91,078
Financial assets at FVTPL (Note 6(b))	-	57,667	57,667
Loans and receivables (Note 6(c))	3,460	31,910	35,370
	<u>82,951</u>	<u>112,652</u>	<u>184,115</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

**(a) AFS financial assets**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>At cost:</b>			
Quoted Shariah-approved equities	7,794	15,557	23,351
Unit trusts - REITS	202	177	379
Government investment issues	11,797	32,304	44,101
Islamic private debt securities	35,862	34,570	70,432
Units held in investment-linked fund	7,015	-	-
	<u>62,670</u>	<u>82,608</u>	<u>138,263</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	7,537	14,579	22,116
Unit trusts - REITS	207	179	386
Government investment issues	11,529	32,396	43,925
Islamic private debt securities	35,622	34,914	70,536
Units held in investment-linked fund	8,759	-	-
	<u>63,654</u>	<u>82,068</u>	<u>136,963</u>
<b>2013</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	5,915	4,409	10,324
Unit trusts - REITS	202	101	303
Government investment issues	21,114	10,985	32,099
Islamic private debt securities	40,846	7,642	48,488
Units held in investment-linked fund	9,000	-	-
	<u>77,077</u>	<u>23,137</u>	<u>91,214</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	6,686	4,822	11,508
Unit trusts - REITS	192	96	288
Government investment issues	20,427	10,603	31,030
Islamic private debt securities	40,698	7,554	48,252
Units held in investment-linked fund	11,488	-	-
	<u>79,491</u>	<u>23,075</u>	<u>91,078</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

**(b) Financial assets at FVTPL**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>At cost:</b>			
Quoted Shariah-approved equities	-	42,018	42,018
Government investment issues	-	5,744	5,744
Islamic private debt securities	-	15,877	15,877
	<u>-</u>	<u>63,639</u>	<u>63,639</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	-	41,847	41,847
Government investment issues	-	5,763	5,763
Islamic private debt securities	-	15,967	15,967
	<u>-</u>	<u>63,577</u>	<u>63,577</u>
<b>2013</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	-	16,696	16,696
Financial instruments with embedded derivatives	-	6	6
Unit trusts - REITS	-	163	163
Government investment issues	-	25,798	25,798
Islamic private debt securities	-	12,104	12,104
	<u>-</u>	<u>54,767</u>	<u>54,767</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	-	20,483	20,483
Financial instruments with embedded derivatives	-	14	14
Unit trusts - REITS	-	189	189
Government investment issues	-	24,970	24,970
Islamic private debt securities	-	12,011	12,011
	<u>-</u>	<u>57,667</u>	<u>57,667</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

(c) Loans and receivables

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	9,200	68,730	77,930
	<u>9,200</u>	<u>68,730</u>	<u>77,930</u>
<b>2013</b>			
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	3,460	31,910	35,370
	<u>3,460</u>	<u>31,910</u>	<u>35,370</u>

Included in Islamic investment accounts with licensed Islamic banks are short term Islamic investment accounts with maturity periods of less than 3 months amounting to RM77,930,000 (2013: RM35,370,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

**7. TAKAFUL RECEIVABLES**

<u>Family takaful fund/Company</u>	2014 RM'000	2013 RM'000	1 Jan 2013 RM'000
Contributions due from agents or other intermediaries	4,910	6,439	6,275
Amount due from retakaful operators	2,791	-	-
Amount due from cotakaful operators	4,918	-	-
	<u>12,619</u>	<u>6,439</u>	<u>6,275</u>

Included in the takaful receivables is an amount of RM4.7 million (2013: RM4.6 million) due from a corporate shareholder of the Company, Koperasi Angkatan Tentera (Note 27). The amount receivable is subject to settlement terms stipulated in the takaful contracts.

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**7. TAKAFUL RECEIVABLES (CONTINUED)**

The family takaful fund's and Company's amount due from retakaful operators that are offset are as follows:

Description	31 December 2014		
	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
Retakaful contributions	(11,390)	-	(11,390)
Claims recoveries	-	14,181	14,181
	<u>(11,390)</u>	<u>14,181</u>	<u>2,791</u>

**8. RETAKAFUL ASSETS**

<u>Family takaful fund/Company</u>	2014 RM'000	2013 RM'000
Retakaful of takaful contracts (Note 13)	<u>33,250</u>	<u>31,728</u>

**9. OTHER RECEIVABLES**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2014</b>			
Profit due and accrued	513	896	1,409
Other receivables and deposits	775	430	1,205
Amounts due from family takaful fund (Note 17)	24,589	-	-
	<u>25,877</u>	<u>1,326</u>	<u>2,614</u>
<b>2013</b>			
Profit due and accrued	644	505	1,149
Other receivables and deposits	322	80	402
Amounts due from family takaful fund (Note 17)	9,101	-	-
	<u>10,067</u>	<u>585</u>	<u>1,551</u>

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**9. OTHER RECEIVABLES (CONTINUED)**

Amounts due from family takaful fund are unsecured, not subject to any profit elements and are repayable upon demand.

**10. DEFERRED TAX ASSET/(LIABILITY)**

<u>Shareholders' fund</u>	2014 RM'000	2013 RM'000
At beginning of year	5,916	6,817
Recognised in other comprehensive income	357	(79)
Recognised in income statement (Note 25(b))	<u>(1,900)</u>	<u>(822)</u>
At end of year	<u>4,373</u>	<u>5,916</u>

The components and movements of deferred tax (liability)/asset during the financial year are as follows:

<u>Shareholders' fund</u>	← (Liability)/Asset →			Total RM'000
	AFS reserves RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	
<b>2014</b>				
At 1 January 2014	(603)	6,519	-	5,916
Recognised in other comprehensive income	357	-	-	357
Recognised in income statement	-	<u>(1,900)</u>	-	<u>(1,900)</u>
At 31 December 2014	<u>(246)</u>	<u>4,619</u>	<u>-</u>	<u>4,373</u>
<b>2013</b>				
At 1 January 2013	(524)	6,752	589	6,817
Recognised in other comprehensive income	(79)	-	-	(79)
Recognised in income statement	-	<u>(233)</u>	<u>(589)</u>	<u>(822)</u>
At 31 December 2013	<u>(603)</u>	<u>6,519</u>	<u>-</u>	<u>5,916</u>

Deferred tax asset and liability is offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.



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**10. DEFERRED TAX ASSET/(LIABILITY) (CONTINUED)**

<u>Family takaful fund/Company</u>	2014 RM'000	2013 RM'000
At beginning of year	(320)	(99)
Recognised in other comprehensive income	41	13
Recognised in income statement (Note 25(a))	276	(234)
At end of year	<u>(3)</u>	<u>(320)</u>

The components and movements of deferred tax asset/(liability) during the financial year are as follows:

<u>Family takaful fund/Company</u>	← Asset/(Liability) →		
	AFS reserves RM'000	FVTPL financial assets RM'000	Total RM'000
<b>2014</b>			
At 1 January 2014	6	(326)	(320)
Recognised in other comprehensive income	41	-	41
Recognised in income statement	-	276	276
At 31 December 2014	<u>47</u>	<u>(50)</u>	<u>(3)</u>
<b>2013</b>			
At 1 January 2013	(7)	(92)	(99)
Recognised in other comprehensive income	13	-	13
Recognised in income statement	-	(234)	(234)
At 31 December 2013	<u>6</u>	<u>(326)</u>	<u>(320)</u>

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 taxes relate to the same tax authority.

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**10. DEFERRED TAX ASSET/(LIABILITY) (CONTINUED)**

<u>Company</u>	2014 RM'000	2013 RM'000
At beginning of year	6,538	7,054
Recognised in other comprehensive income	171	306
Recognised in income statement (Note 25(b))	<u>(1,900)</u>	<u>(822)</u>
At end of year	<u>4,809</u>	<u>6,538</u>

The components and movements of deferred tax (liability)/asset during the financial year are as follows:

<u>Company</u>	← (Liability)/Asset →			Total RM'000
	AFS reserves RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	
<b>2014</b>				
At 1 January 2014	19	6,519	-	6,538
Recognised in other comprehensive income	171	-	-	171
Recognised in income statement	-	<u>(1,900)</u>	-	<u>(1,900)</u>
At 31 December 2014	<u>190</u>	<u>4,619</u>	<u>-</u>	<u>4,809</u>
<b>2013</b>				
At 1 January 2013	(287)	6,752	589	7,054
Recognised in other comprehensive income	306	-	-	306
Recognised in income statement	-	<u>(233)</u>	<u>(589)</u>	<u>(822)</u>
At 31 December 2013	<u>19</u>	<u>6,519</u>	<u>-</u>	<u>6,538</u>

Deferred tax asset and liability is offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

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**11. SHARE CAPITAL**

<u>Shareholders' fund/Company</u>	No. of shares of RM1 each '000	Amount RM'000
<b>2014</b>		
<b><u>Authorised:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2014/31 December 2014	180,000	180,000
Redeemable preference shares of RM1 each:		
At 1 January 2014/31 December 2014	20,000	20,000
At 31 December 2014	200,000	200,000
<b><u>Issued and paid-up:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2014/31 December 2014	100,000	100,000
Redeemable preference shares of RM1 each:		
At 1 January 2014/31 December 2014	20,000	20,000
At 31 December 2014	120,000	120,000
<b>2013</b>		
<b><u>Authorised:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2013/31 December 2013	180,000	180,000
Redeemable preference shares of RM1 each:		
At 1 January 2013/31 December 2013	20,000	20,000
At 31 December 2013	200,000	200,000
<b><u>Issued and paid-up:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2013/31 December 2013	100,000	100,000
Redeemable preference shares of RM1 each:		
At 1 January 2013/31 December 2013	20,000	20,000
At 31 December 2013	120,000	120,000

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**11. SHARE CAPITAL (CONTINUED)**

The salient features of the redeemable preference shares are as follows:

- (a) The non-cumulative dividend payable to preference shareholders shall be in priority to the dividend (if any) payable to the ordinary shareholders, subject to the ordinary shareholders agreeing to the amount of the dividend to be distributed prior to each distribution;
- (b) Each redeemable preference share confers on the preference shareholder the right to receive, pari passu with the ordinary shareholders in the share capital of the Company, the repayment in full of the nominal amount of that redeemable preference share;
- (c) The redeemable preference shares are non-cumulative, non-convertible, non-participating in profits, assets or other rights, and there is no fixed rate for dividends declared (if any);
- (d) The redeemable preference shares are transferable only in the manner provided in the Articles of Association, and have no specific redemption date but the Company has an option to redeem the preference shares, which option shall only be exercisable after the expiry of the period of five (5) years from the issue date of the redeemable preference shares; and
- (e) The redeemable preference shares confer on a preference shareholder the right to receive notices of general meetings, reports and balance sheets of the Company, and to attend general meetings and the preference shareholder is entitled to vote in each of the relevant circumstances as stipulated in the Companies Act, 1965 only.

**12. EXPENSE LIABILITIES**

<u>Shareholders' fund/Company</u>	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Provision for expense liabilities	5,676	3,088
Provision for expense over-run	1,335	3,671
	<u>7,011</u>	<u>6,759</u>
At beginning of the year	6,759	7,066
Change in expense liabilities	2,588	2,927
Expense over-run reserves	(2,336)	(3,234)
	<u>252</u>	<u>(307)</u>
	<u>7,011</u>	<u>6,759</u>

The expense liabilities are set aside as a provision, as determined by the Appointed Actuary, in the Shareholders' fund. The amount includes the expense liabilities, as well as any potential expense over-run, typically faced by a new start-up company.

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**13. TAKAFUL CERTIFICATE LIABILITIES**

<u>Family takaful fund</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<b>2014</b>			
Provision for outstanding claims reported by certificate holders	12,296	(10,715)	1,581
Actuarial liabilities	106,116	(22,535)	83,581
Unit reserves	67,449	-	67,449
	<u>185,861</u>	<u>(33,250)</u>	<u>152,611</u>

The movement of the family takaful certificate liabilities is further analysed as follows:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2014	102,138	(31,728)	70,410
Benefits intimated during the year	50,029	(32,041)	17,988
Benefits paid during the year	(52,554)	33,130	(19,424)
Increase in actuarial liabilities due to:			
Change in portfolio movement	81,923	(233)	81,690
Change in assumptions and basis	4,325	(2,378)	1,947
At 31 December 2014	<u>185,861</u>	<u>(33,250)</u>	<u>152,611</u>

<u>Family takaful fund</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<b>2013</b>			
Provision for outstanding claims reported by certificate holders	14,821	(11,804)	3,017
Actuarial liabilities	52,851	(19,924)	32,927
Unit reserves	34,466	-	34,466
	<u>102,138</u>	<u>(31,728)</u>	<u>70,410</u>

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**13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)**

**Family takaful fund (Continued)**

The movement of the family takaful certificate liabilities is further analysed as follows:

	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>(Note 8)</b>	<b>RM'000</b>
		<b>RM'000</b>	
At 1 January 2013	38,380	(9,986)	28,394
Benefits intimated during the year	29,880	(20,845)	9,035
Benefits paid during the year	(24,840)	16,605	(8,235)
Increase in actuarial liabilities due to:			
Change in portfolio movement	57,371	(16,323)	41,048
Change in assumptions and basis	1,347	(1,179)	168
At 31 December 2013	<u>102,138</u>	<u>(31,728)</u>	<u>70,410</u>

	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>(Note 8)</b>	<b>RM'000</b>
<b><u>Company</u></b>		<b>RM'000</b>	
<b>2014</b>			
Provision for outstanding claims reported by certificate holders	12,296	(10,715)	1,581
Actuarial liabilities	106,116	(22,535)	83,581
Unit reserves	60,434	-	60,434
Unallocated surplus	36,162	-	36,162
Available-for-sale fair value reserves	(540)	-	(540)
	<u>214,468</u>	<u>(33,250)</u>	<u>181,218</u>

The movement of the family takaful certificate liabilities is further analysed as follows:

	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>(Note 8)</b>	<b>RM'000</b>
		<b>RM'000</b>	
At 1 January 2014	112,060	(31,728)	80,332
Benefits intimated during the year	50,029	(32,041)	17,988
Benefits paid during the year	(49,554)	33,130	(16,424)
Increase in actuarial liabilities due to:			
Change in portfolio movement	81,923	(233)	81,690
Change in assumptions and basis	4,325	(2,378)	1,947
Unallocated surplus for the year	16,164	-	16,164
AFS fair value loss for the year	(520)	-	(520)
Deferred tax relating to AFS fair value loss	41	-	41
At 31 December 2014	<u>214,468</u>	<u>(33,250)</u>	<u>181,218</u>

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**13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)**

<u>Company (Continued)</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
<b>2013</b>			
Provision for outstanding claims reported by certificate holders	14,821	(11,804)	3,017
Actuarial liabilities	52,851	(19,924)	32,927
Unit reserves	34,466	-	34,466
Unallocated surplus	9,983	-	9,983
Available-for-sale fair value reserves	(61)	-	(61)
	<u>112,060</u>	<u>(31,728)</u>	<u>80,332</u>

The movement of the family takaful certificate liabilities is further analysed as follows:

	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
At 1 January 2013	33,908	(9,986)	23,922
Benefits intimated during the year	29,880	(20,845)	9,035
Benefits paid during the year	(24,840)	16,605	(8,235)
Increase in actuarial liabilities due to:			
Change in portfolio movement	57,371	(16,323)	41,048
Change in assumptions and basis	1,347	(1,179)	168
Unallocated surplus for the year	14,539	-	14,539
AFS fair value loss for the year	(158)	-	(158)
Deferred tax relating to AFS fair value loss	13	-	13
At 31 December 2013	<u>112,060</u>	<u>(31,728)</u>	<u>80,332</u>

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**14. PARTICIPANTS' FUND**

<u>Family takaful fund</u>	2014 RM'000	2013 RM'000
Accumulated surplus (Note (i))	36,162	18,983
AFS reserves (Note (ii))	(540)	(61)
	<u>35,622</u>	<u>18,922</u>
(i) Accumulated surplus:		
At beginning of the year	18,983	4,444
Surplus attributable to participants during the year	17,179	14,539
At end of the year	<u>36,162</u>	<u>18,983</u>
(ii) AFS reserves:		
At beginning of the year	(61)	84
Net loss recognised during the year	(479)	(145)
At end of the year	<u>(540)</u>	<u>(61)</u>

**15. AMOUNT DUE TO RELATED COMPANIES - FAMILY TAKAFUL FUND/COMPANY**

The amount due to related companies is non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

**16. TAKAFUL PAYABLES**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2014</b>			
Due to clients, agents and other intermediaries	4,294	-	4,294
Amount due to cotakaful operators	1	-	1
Amount due to retakaful operators	-	13,650	13,650
	<u>4,295</u>	<u>13,650</u>	<u>17,945</u>
<b>2013</b>			
Due to clients, agents and other intermediaries	4,831	-	4,831
Amount due to retakaful operators	-	5,842	5,842
	<u>4,831</u>	<u>5,842</u>	<u>10,673</u>



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**16. TAKAFUL PAYABLES (CONTINUED)**

1 January 2013	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Due to clients, agents and other intermediaries	1,474	-	1,474
Amount due to retakaful operators	-	12,776	12,776
	<u>1,474</u>	<u>12,776</u>	<u>14,250</u>

The family takaful fund's and Company's amount due to retakaful operators that are offset are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
<b>31 December 2014</b>			
Retakaful contributions	19,847	-	19,847
Claims recoveries	-	(5,663)	(5,663)
Commissions	-	(534)	(534)
	<u>19,847</u>	<u>(6,197)</u>	<u>13,650</u>
<b>31 December 2013</b>			
Retakaful contributions	26,579	-	26,579
Claims recoveries	-	(20,372)	(20,372)
Commissions	-	(365)	(365)
	<u>26,579</u>	<u>(20,737)</u>	<u>5,842</u>
<b>1 January 2013</b>			
Retakaful contributions	19,489	-	19,489
Claims recoveries	-	(6,713)	(6,713)
	<u>19,489</u>	<u>(6,713)</u>	<u>12,776</u>

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

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**17. OTHER PAYABLES**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2014</b>			
Deposit contributions	-	5,219	5,219
Amount due to shareholders' fund* (Note 9)	-	24,589	-
Accruals	5,817	-	5,817
Other payables and sundry creditors	7,219	4,649	11,868
	<u>13,036</u>	<u>34,457</u>	<u>22,904</u>
<b>2013</b>			
Deposit contributions	-	15,694	15,694
Amount due to shareholders' fund* (Note 9)	-	9,101	-
Accruals	4,293	-	4,293
Other payables and sundry creditors	5,635	7,129	12,764
	<u>9,928</u>	<u>31,924</u>	<u>32,751</u>

\* The amounts due to shareholders' fund are non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

**18. PROVISIONS**

<u>Shareholders' fund/Company</u>	2014 RM'000	2013 RM'000
Provision for bonus	2,862	4,024
Provision for short-term accumulating compensated absences	189	111
	<u>3,051</u>	<u>4,135</u>

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**19. INVESTMENT INCOME**

<b>2014</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets:			
Profit income	2,263	2,047	4,310
Dividend income	222	327	549
Net accretion	125	79	204
Financial assets at FVTPL:			
Profit income	-	749	749
Dividend income	-	718	718
Net accretion	-	27	27
Loans and receivables profit income	306	1,316	1,614
Investment expenses	(8)	(291)	(291)
	<u>2,908</u>	<u>4,972</u>	<u>7,880</u>
<b>2013</b>			
AFS financial assets:			
Profit income	2,649	759	3,408
Dividend income	144	65	209
Net accretion	61	185	246
Financial assets at FVTPL:			
Profit income	-	570	570
Dividend income	-	345	345
Net accretion	-	73	73
Loans and receivables profit income	142	396	521
Investment expenses	(6)	(145)	(134)
	<u>2,990</u>	<u>2,248</u>	<u>5,238</u>

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**20. REALISED GAINS AND LOSSES**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>AFS financial assets:</b>			
Realised gains/(losses):			
Shariah-approved equities			
- quoted in Malaysia	406	111	517
Government investment issues			
- quoted in Malaysia	(300)	(316)	(616)
Islamic private debt securities			
- unquoted in Malaysia	35	125	160
Units held in investment-linked fund	1,015	-	-
<b>Total realised gains for AFS financial assets</b>	<b>1,156</b>	<b>(80)</b>	<b>61</b>
<b>Financial assets at FVTPL:</b>			
Realised gains/(losses):			
Shariah-approved equities			
- quoted in Malaysia	-	1,504	1,504
Financial instruments with embedded derivatives	-	8	8
Unit trusts - REITS	-	22	22
Government investment issues			
- quoted in Malaysia	-	(547)	(547)
Islamic private debt securities			
- unquoted in Malaysia	-	2	2
<b>Total realised gains for financial assets at FVTPL</b>	<b>-</b>	<b>989</b>	<b>989</b>
	<b>1,156</b>	<b>909</b>	<b>1,050</b>

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**20. REALISED GAINS AND LOSSES (CONTINUED)**

2013	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>AFS financial assets:</b>			
Realised gains/(losses):			
Shariah-approved equities			
- quoted in Malaysia	123	67	190
Unit trusts - REITS	13	3	16
Government investment issues			
- quoted in Malaysia	(106)	(102)	(208)
Islamic private debt securities			
- unquoted in Malaysia	462	51	513
<b>Total realised gains for AFS financial assets</b>	<b>492</b>	<b>19</b>	<b>511</b>
<b>Financial assets at FVTPL:</b>			
Realised gains/(losses):			
Shariah-approved equities			
- quoted in Malaysia	-	874	874
Unit trusts - REITS	-	58	58
Government investment issues			
- quoted in Malaysia	-	(92)	(92)
Islamic private debt securities			
- unquoted in Malaysia	-	119	119
<b>Total realised gains for financial assets at FVTPL</b>	<b>-</b>	<b>959</b>	<b>959</b>
	<b>492</b>	<b>978</b>	<b>1,470</b>

**21. FAIR VALUE GAINS AND LOSSES**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL	-	(2,962)	(2,962)
	-	(2,962)	(2,962)
<b>2013</b>			
Financial assets at FVTPL	1	1,827	1,828
	1	1,827	1,828

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**22. FEE AND COMMISSION INCOME**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2014</b>			
Risk management charges	1,209	-	-
Certificate charges	3,450	65	-
Surplus sharing income from retakaful operator	-	727	727
Retakaful commission income	-	669	669
	<u>4,659</u>	<u>1,461</u>	<u>1,396</u>
<b>2013</b>			
Risk management charges	1,370	-	-
Certificate charges	2,158	24	-
Retakaful commission income	-	380	380
	<u>3,528</u>	<u>404</u>	<u>380</u>

**23. COMMISSION EXPENSES/ADMINISTRATION FEE**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2014</b>			
Commissions paid to agents	49,173	-	49,173
Risk management charges	-	1,209	-
Certificate charges	84	2,968	53
	<u>49,257</u>	<u>4,177</u>	<u>49,226</u>
<b>2013</b>			
Commissions paid to agents	58,719	-	58,719
Risk management charges	-	1,370	-
Certificate charges	102	2,058	234
	<u>58,821</u>	<u>3,428</u>	<u>58,953</u>

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**24. MANAGEMENT EXPENSES**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Staff costs:			
Salaries, bonus and other related costs	14,581	-	14,581
Pension costs - EPF	1,955	-	1,955
Social security costs	91	-	91
Short-term accumulating compensated absences	78	-	78
	16,705	-	16,705
Non-executive directors' remuneration (Note 24(b))	396	-	396
Shariah committee members' remuneration (Note 24(c))	223	-	223
Auditors' remuneration:			
- statutory audit	125	-	125
- regulatory related fees	29	8	37
- other services	29	-	29
Agency related expenses	11,650	-	11,650
Advertising and marketing expenses	5,691	516	5,691
Rental of properties	1,421	-	1,421
Rental of equipment	121	-	121
Depreciation of property and equipment	985	-	985
Amortisation of intangible assets	1,475	-	1,475
Marketing and communication	1,619	-	1,619
Electronic data processing	1,802	-	1,802
Management fees	6,387	-	6,387
Shared services charges	8,682	-	8,682
Other expenses	1,142	-	1,142
	<u>58,482</u>	<u>524</u>	<u>58,490</u>

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**24. MANAGEMENT EXPENSES (CONTINUED)**

2013	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Staff costs:			
Salaries, bonus and other related costs	12,571	-	12,571
Pension costs - EPF	1,843	-	1,843
Social security costs	72	-	72
Short-term accumulating compensated absences	8	-	8
	14,494	-	14,494
Non-executive directors' remuneration (Note 24(b))	427	-	427
Shariah committee members' remuneration (Note 24(c))	219	-	219
Auditors' remuneration:			
- statutory audit	111	-	111
- regulatory related fees	13	8	21
Agency related expenses	9,238	-	9,238
Advertising and marketing expenses	4,794	252	4,790
Rental of properties	1,326	-	1,326
Rental of equipment	84	-	84
Depreciation of property and equipment	803	-	803
Amortisation of intangible assets	1,227	-	1,227
Write off of property and equipment	86	-	86
Marketing and communication	1,040	-	1,040
Electronic data processing	439	-	439
Management fees	4,142	-	4,142
Shared services charges	7,956	-	7,956
Other expenses	1,228	2	1,230
	<u>47,627</u>	<u>262</u>	<u>47,633</u>



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**24. MANAGEMENT EXPENSES (CONTINUED)**

**(a) Chief Executive Officer ("CEO")'s remuneration**

The details of remuneration receivable by the CEO included in staff costs during the year are as follows:

	2014 RM'000	2013 RM'000
Salaries and bonus	592	464
Pension costs - EPF	95	74
Others	25	25
	712	563

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer, amounted to approximately RM711,740 (2013 : RM563,027).

**(b) Non-executive directors' remuneration:**

<u>Shareholders' fund/Company</u>	2014 RM'000	2013 RM'000
<b>Non-executive directors' remuneration:</b>		
<u>Fees:</u>		
Datuk Kamaruddin bin Taib (Chairman)	109	94
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	43	43
Tuan Haji Jamaluddin bin Masrin	45	45
Mr Norman Ip Ka Cheung	23	-
Mrs Fang Ai Lian (nee Ho Ai Lian)	18	55
Tan Sri Dato' Nasrudin bin Bahari	11	43
	249	280
<u>Allowances:</u>		
Datuk Kamaruddin bin Taib (Chairman)	40	36
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	38	22
Tuan Haji Jamaluddin bin Masrin	39	32
Mr Norman Ip Ka Cheung	15	-
Mrs Fang Ai Lian (nee Ho Ai Lian)	10	36
Tan Sri Dato' Nasrudin bin Bahari	5	21
	147	147
	396	427

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**24. MANAGEMENT EXPENSES (CONTINUED)**

**(b) Non-executive directors' remuneration (Continued):**

The directors' fees are subject to the recommendation of the Remuneration Committee to the Board of Directors for endorsement and approval by shareholders at the Annual General Meeting.

The number of directors whose total remuneration received from the Company during the year that fall within the following bands is analysed as follows:

<u>Shareholders' fund/Company</u>	2014	2013
<b>Non-Executive director</b>		
Below RM50,000	3	-
RM50,001 - RM100,000	2	4
RM100,001 - RM150,000	1	1
	<hr/>	<hr/>

**(c) Shariah Committee Members' remuneration:**

<u>Shareholders' fund/Company</u>	2014 RM'000	2013 RM'000
Dr. Ahmad Basri Ibrahim	42	42
Prof. Dr. Wan Sabri Wan Yusof	36	36
Dr. Akhtarzaite Abdul Aziz	35	35
Dr. Mohamad Sabri Zakaria	37	36
Dr. Siti Salwani Razali	36	35
Dr. Mahamad Arifin	37	35
	<hr/>	<hr/>
	223	219
	<hr/>	<hr/>

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**25. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION**

<b>(a) <u>Family takaful fund/Company</u></b>	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Malaysian income tax:		
Current year	286	175
Overprovision in prior years	(167)	-
	<u>119</u>	<u>175</u>
Deferred tax relating to the origination and reversal of temporary differences (Note 10):		
Current year	(276)	234
Tax (income)/expense for the year	<u>(157)</u>	<u>409</u>

The Malaysian income tax of the family takaful fund is calculated at the preferential tax rate of 8% (2013: 8%) of taxable investment income for the year.

<b>(b) <u>Shareholders' fund/Company</u></b>	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Malaysian income tax:		
Current year	-	-
Deferred tax relating to the origination and reversal of temporary differences (Note 10) :		
Current year	2,060	(382)
(Under)/overprovision in prior year	(160)	1,204
Tax expense for the year	<u>1,900</u>	<u>822</u>

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit/(loss) before zakat and taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Profit/(loss) before zakat and taxation	<u>4,275</u>	<u>(3,232)</u>
Taxation at Malaysian statutory tax rate of 25%	1,069	(808)
Expenses not deductible for tax purposes	991	426
(Under)/overprovision of deferred tax asset in prior year	(160)	1,204
Tax expense for the year	<u>1,900</u>	<u>822</u>

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**26. PROFIT/(LOSS) PER SHARE**

The basic profit/(loss) per share is calculated by dividing the net profit/(loss) for the year by the number of ordinary shares in issue during the year as follows:

<u>Shareholders' fund/Company</u>	2014	2013
Net profit/(loss) for the year (RM'000)	2,300	(4,054)
Number of ordinary shares in issue ('000)	120,000	120,000
Basic profit/(loss) per share (sen)	<u>1.9</u>	<u>(3.4)</u>

**27. RELATED PARTY DISCLOSURES**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and/or operational decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company and the Chief Executive Officer.

The main related parties and their relationship with the Company are as follows:

<u>Related parties</u>	<u>Relationship</u>
Oversea-Chinese Banking Corporation Ltd. ("OCBC Bank")	Ultimate holding company
Great Eastern Holdings Ltd.	Penultimate holding company
Great Eastern Life Assurance Co. Ltd.	Intermediate holding company
Great Eastern Capital (Malaysia) Sdn Bhd	Intermediate holding company
I Great Capital Holdings Sdn Bhd	Immediate holding company
Koperasi Angkatan Tentera	Corporate shareholder of the Company
Great Eastern Life Assurance (Malaysia) Berhad	Subsidiary of intermediate holding company
OCBC Al-Amin Berhad	Subsidiary of ultimate holding company

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**27. RELATED PARTY DISCLOSURES (CONTINUED)**

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

(i) Transactions with related parties during the financial year:

<u>Company</u>	2014 RM'000	2013 RM'000
Service charges (vi):		
- Koperasi Angkatan Tentera	(916)	(843)
Commission fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(1,712)	(1,670)
- Koperasi Angkatan Tentera	(3,053)	(2,811)
Custodian fees (ii):		
- OCBC Al-Amin Bank Berhad	(38)	(23)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(423)	(285)
Rental paid (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,061)	(989)
- Koperasi Angkatan Tentera	(39)	(37)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	719	535
Charges for group services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(10,548)	(8,917)
- Great Eastern Life Assurance Co. Ltd.	(4,656)	(3,360)
- I Great Capital Holdings Sdn Bhd	77	77
Staff secondment charges (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(715)	(428)
Shariah Committee members' fees	(223)	(219)
Directors' fees	(396)	(427)
Disposal of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	76,143	80,274
Purchase of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,511)	-

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**27. RELATED PARTY DISCLOSURES (CONTINUED)**

(ii) Balances with related parties at year end:

	2014 RM'000	2013 RM'000
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	9,078	8,283
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	27,700	14,460
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,406)	(2,688)
- Great Eastern Life Assurance Co. Ltd.	(1,500)	(1,523)
- I Great Capital Holdings Sdn Bhd	13	6
	<u>(3,893)</u>	<u>(4,205)</u>
Takaful receivables:		
- Koperasi Angkatan Tentera	<u>4,730</u>	<u>4,640</u>

Related companies are within the OCBC Bank Group:

- (i) The sale and purchase of investments to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees;
- (ii) Payment of commissions paid, custodian fees and bank charges to related parties are made according to normal market prices;
- (iii) The profit income arose mainly from investments in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions;
- (iv) The outsourcing agreement was made at arm's length and approved by the Board;
- (v) Rental of property from related parties are made according to normal market prices, terms and conditions; and
- (vi) Payment of service charges to related parties are made in the normal course of business and have been established under negotiated terms.

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**27. RELATED PARTY DISCLOSURES (CONTINUED)**

The remuneration of key management personnel during the year was as follows:

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Key management personnel's remuneration:</b>		
Non-executive directors	396	427
Salaries and bonus	592	464
Pension costs - EPF	95	74
Benefits-in-kind	25	25
	<u>1,108</u>	<u>990</u>

**28. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 31 December 2014, as prescribed under the RBCT is provided below:

	<b>2014</b>
	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>	
Share capital (paid-up)	120,000
Accumulated losses	(36,049)
Valuation surplus maintained in the takaful funds	8,109
	<u>92,060</u>
<b>Tier 2 Capital</b>	
Eligible reserves	853
Deductions	(8,697)
<b>Total Capital Available</b>	<u>84,216</u>

No comparatives have been provided as the RBCT came into effect during the current financial year on 1 January 2014.

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**29. FINANCIAL INSTRUMENTS BY CATEGORY**

<u>Shareholders' fund</u>	Note	AFS RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000						
							Other financial liabilities RM'000	Sub- total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000		
<b>2014</b>												
<b>Assets</b>												
Motor vehicle and equipment	4	-	-	-	6,272	6,272						
Intangible assets	5	-	-	-	4,324	4,324						
Investment assets	6	63,654	9,200	72,854	-	72,854						
Other receivables	9	-	25,877	25,877	-	25,877						
Deferred tax assets	10	-	-	-	4,373	4,373						
Cash and bank balances		-	2,350	2,350	-	2,350						
<b>Total assets</b>		<b>63,654</b>	<b>37,427</b>	<b>101,081</b>	<b>14,969</b>	<b>116,050</b>						
<b>Liabilities</b>												
Provision for zakat			-	-	75	75						
Expense liabilities	12		-	-	7,011	7,011						
Amounts due to related companies			3,893	3,893	-	3,893						
Takaful payables	16		4,295	4,295	-	4,295						
Other payables	17		13,036	13,036	-	13,036						
Provisions	18		3,051	3,051	-	3,051						
<b>Total liabilities</b>			<b>24,275</b>	<b>24,275</b>	<b>7,086</b>	<b>31,361</b>						





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**29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<u>Family takaful fund</u>	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2014</b>							
<b>Assets</b>							
Investment assets	6	82,068	63,577	68,730	214,375	-	214,375
Takaful receivables	7	-	-	12,619	12,619	-	12,619
Retakaful assets	8	-	-	-	-	33,250	33,250
Other receivables	9	-	-	-	-	1,326	1,326
Tax recoverable	-	-	-	-	-	21	21
Cash and bank balances	-	-	-	8,002	8,002	-	8,002
<b>Total assets</b>		<b>82,068</b>	<b>63,577</b>	<b>89,351</b>	<b>234,996</b>	<b>34,597</b>	<b>269,593</b>
<b>Liabilities</b>							
Takaful certificate liabilities	13	-	-	-	-	185,861	185,861
Participants' fund	14	-	-	-	-	35,622	35,622
Deferred tax liability	10	-	-	-	-	3	3
Takaful payables	16	-	-	13,650	13,650	-	13,650
Other payables	17	-	-	34,457	34,457	-	34,457
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>48,107</b>	<b>48,107</b>	<b>221,486</b>	<b>269,593</b>

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**29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

Family takaful fund (Continued)	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2013</b>							
<b>Assets</b>							
Investment assets	6	23,075	57,667	31,910	112,652	-	112,652
Takaful receivables	7	-	-	6,439	6,439	-	6,439
Retakaful assets	8	-	-	-	-	31,728	31,728
Other receivables	9	-	-	-	-	585	585
Cash and bank balances		-	-	8,007	8,007	-	8,007
<b>Total assets</b>		<b>23,075</b>	<b>57,667</b>	<b>46,356</b>	<b>127,098</b>	<b>32,313</b>	<b>159,411</b>
<b>Liabilities</b>							
Provision for taxation						265	265
Takaful certificate liabilities	13					102,138	102,138
Participants' fund	14					18,922	18,922
Deferred tax liability	10					320	320
Takaful payables	16			5,842	5,842	-	5,842
Other payables	17			31,924	31,924	-	31,924
<b>Total liabilities</b>				<b>37,766</b>	<b>37,766</b>	<b>121,645</b>	<b>159,411</b>

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**29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<u>Company</u> 2014	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>Assets</b>							
Motor vehicle and equipment	4	-	-	-	-	6,272	6,272
Intangible assets	5	-	-	-	-	4,324	4,324
Investment assets	6	136,963	63,577	77,930	278,470	-	278,470
Takaful receivables	7	-	-	12,619	12,619	-	12,619
Retakaful assets	8	-	-	-	-	33,250	33,250
Other receivables	9	-	-	-	-	2,614	2,614
Deferred tax assets	10	-	-	-	-	4,809	4,809
Tax recoverable	-	-	-	-	-	21	21
Cash and bank balances	-	-	-	10,352	10,352	-	10,352
<b>Total assets</b>		<b>136,963</b>	<b>63,577</b>	<b>100,901</b>	<b>301,441</b>	<b>51,290</b>	<b>352,731</b>
<b>Liabilities</b>							
Provision for zakat						75	75
Expense liabilities	12					7,011	7,011
Takaful certificate liabilities	13					214,468	214,468
Participants' fund	14					-	-
Deferred tax liability	10					3	3
Amounts due to related companies	15					3,893	3,893
Takaful payables	16			17,945	17,945	-	17,945
Other payables	17			22,904	22,904	-	22,904
Provisions	18			3,051	3,051	-	3,051
<b>Total liabilities</b>				<b>43,900</b>	<b>43,900</b>	<b>225,450</b>	<b>269,350</b>
				<b>Other financial liabilities RM'000</b>	<b>Sub- total RM'000</b>	<b>Liabilities not in scope of MFRS 139 RM'000</b>	<b>Total RM'000</b>

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**29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<u>Company (Continued)</u> 2013	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>Assets</b>							
Motor vehicle and equipment	4	-	-	-	-	4,531	4,531
Intangible assets	5	-	-	-	-	5,554	5,554
Investment assets	6	91,078	57,667	35,370	184,115	-	184,115
Takaful receivables	7	-	-	6,439	6,439	-	6,439
Retakaful assets	8	-	-	-	-	31,728	31,728
Other receivables	9	-	-	-	-	1,551	1,551
Deferred tax assets	10	-	-	-	-	6,538	6,538
Cash and bank balances		-	-	12,307	12,307	-	12,307
<b>Total assets</b>		<b>91,078</b>	<b>57,667</b>	<b>54,116</b>	<b>202,861</b>	<b>49,902</b>	<b>252,763</b>
<b>Liabilities</b>							
Provision for taxation						265	265
Expense liabilities	12					6,759	6,759
Takaful certificate liabilities	13					112,060	112,060
Participants' fund	14					-	-
Deferred tax liability	10					320	320
Amounts due to related companies	15			4,204	4,204	-	4,204
Takaful payables	16			10,673	10,673	-	10,673
Other payables	17			32,751	32,751	-	32,751
Provisions	18			4,135	4,135	-	4,135
<b>Total liabilities</b>				<b>51,763</b>	<b>51,763</b>	<b>119,404</b>	<b>171,167</b>

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**30. RISK MANAGEMENT FRAMEWORK**

**Risk governance framework**

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall not shy away from taking risk, but shall, at all times, conduct its business within the risk appetite as expected by the Board and ensure that the Company is duly rewarded according to risk taken.

The ERM is designed to determine the level of risk acceptable to the Company relating to its core operations by setting the appropriate limits for Board approval and adherence by management after considering the risk parameters, the nature, the size, the mix and complexity of business and operations. It is adopted to ascertain and evaluate core business risks that may affect the organisation and to establish and implement an appropriate system of internal controls to manage these risks while ensuring full and effective control over significant strategic, financial, organisational and compliance matters.

The main objectives of the risk management framework, amongst others, are to:

- (a) Provide guidance for the effective management of risk throughout the Company;
- (b) Provide information on risk governance, responsibilities and accountabilities;
- (c) Provide guidance to a standard methodology to managing risks;
- (d) Create a risk conscious culture; and
- (e) Enhance professionalism, increase profitability and value for shareholders.

The Risk Management Department spearheads the development and implementation of the ERM Framework for the Company in pursuit of the above objectives. It is the Company's policy to implement good governance, risk management and compliance principles and best practices, and to uphold high standards of business practices in all the activities undertaken by the Company.

The Risk Management Governance structure is as follows:

- The Board Risk Committee ("BRC") provides an oversight on the risk management initiatives. The Board is ultimately responsible for the management of risks. Detailed risk management activities are undertaken by the following management committees comprising the chief executive officer and key senior management personnel;
- The Senior Management Team ("SMT") is responsible for providing leadership, direction and oversight with regards to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework and Group's standards and policies;

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**30. RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**Risk governance framework (Continued)**

The Risk Management Governance structure is as follows (Continued):

- The Asset-Liability Committee (“ALC”) is responsible for assisting the SMT in Management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework and Group’s standards and policies;
- The Product Development Committee (“PDC”) oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products and ensure compliance with local regulations; and
- The IT Steering Committee (“ITSC”) is responsible for assisting the SMT in executing approved IT projects within allocated budget. It is also responsible to review and monitor local IT related risks and issues and ensure compliance and alignment with Group Governance and Oversight Framework.

**Regulatory framework**

Takaful operators are required to comply with the Islamic Financial Services Act, 2013 and other regulations administered by BNM. BNM is primarily interested in protecting the rights of participants and monitors the takaful operators closely to ensure prudent management of its business operations. BNM is also concerned with ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic cycle or natural disasters.

**Capital management framework**

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholders and maintain a strong capital position with optimum buffer to meet participants' obligations and regulatory requirements and make strategic investments for business growth. The Company shall at all times maintain an appropriate level of capital which commensurate with its risk profile.

Currently, as at 31 December 2014, the company maintains a paid up capital of RM120 million and has complied with the capital adequacy requirements as prescribed by the BNM guidelines i.e. BNM/RH/CIR 004 -13 *Minimum Paid up Capital requirement for Takaful Operator* and BNM/RH/GL 004-23 *Guidelines on Risk Based Capital for Takaful* respectively.

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**31. UNDERWRITING RISK**

**Nature of risk**

The principal activities of the Company are the provision of financial services coupled with takaful protection against risks such as mortality and morbidity (health, critical illness, disability and personal accident). In principle, the Company issues the following types of family takaful certificates: Family Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of takaful coverage benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes into account current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual certificate, it can impose deductibles and has the right to reject fraudulent claims payments.

The following sections provide details regarding the Company's exposure to risks and the objectives, policies and processes for the management of these risks. Risks inherent in the takaful business include, but are not limited to the following:

**Takaful risk**

Takaful risk comprises of both actuarial and underwriting risks resulting from the pricing and acceptance of takaful certificates. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of risks include certificate lapses and certificate benefits such as mortality, morbidity and expenses.

The Company utilises retakaful to manage mortality and morbidity risks. The Company's retakaful management strategies and policies are reviewed annually by the ALC and BRC, and approved by the Board. Retakaful strategies and structures are set based on the type of risk.

Only retakaful operators that meet a minimum credit rating of "A-", as evaluated by Standards & Poors, are considered when deciding on which retakaful operators to cede out the Company's risks. The Company limits its risks to any one retakaful operator by ceding different products to different retakaful operators or to a panel of retakaful operators.

The SMT reviews the actual mortality, morbidity, lapsation and surrender, as well as expense experience to ensure that appropriate policies, guidelines and limits are put in place to manage and ensure that these risks remain appropriate.



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**31. UNDERWRITING RISK (CONTINUED)**

**Takaful risk (Continued)**

For family takaful funds, the risk is that the guaranteed certificate benefits must be met even when investment markets perform poorly, or claims experience is higher than expected. As such, the investment profit and surplus distribution to the participants may be reduced.

For investment-linked funds, the risk exposure of the participants' risk fund is limited only to the underwriting aspect as all investment risks are borne by the participants.

**Concentration by type of certificates**

The following table shows the concentration of expense liabilities of the shareholders' fund and actuarial liabilities and unit reserves of family takaful fund as at the reporting date:

<u>Shareholders' fund - expense liabilities</u>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2014</b>			
Family takaful plans	1,196	-	1,196
Investment-linked takaful plans	4,553	-	4,553
Mortgage takaful plans	278	-	278
Group credit takaful plans	984	-	984
	<u>7,011</u>	<u>-</u>	<u>7,011</u>
<b>2013</b>			
Family takaful plans	2,415	-	2,415
Investment-linked takaful plans	3,360	-	3,360
Mortgage takaful plans	97	-	97
Group credit takaful plans	887	-	887
	<u>6,759</u>	<u>-</u>	<u>6,759</u>
<b>Family takaful fund - actuarial liabilities and unit reserves</b>			
	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2014</b>			
Family takaful plans	17,169	(6,703)	10,466
Investment-linked takaful plans	88,978	(14,303)	74,675
Mortgage takaful plans	7,685	(383)	7,302
Group credit takaful plans	59,733	(1,146)	58,587
	<u>173,565</u>	<u>(22,535)</u>	<u>151,030</u>

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**31. UNDERWRITING RISK (CONTINUED)**

**Concentration of by type of certificates (Continued)**

<u>Family takaful fund - actuarial liabilities and unit reserves</u>	Gross RM'000	Retakaful RM'000	Net RM'000
<b>2013</b>			
Family takaful plans	59,221	(4,275)	54,946
Investment-linked takaful plans	19,178	(14,870)	4,308
Mortgage takaful plans	585	(111)	474
Group credit takaful plans	8,333	(668)	7,665
	<u>87,317</u>	<u>(19,924)</u>	<u>67,393</u>

All family takaful fund business is derived in Malaysia. Accordingly, management is of the opinion that analysis of family takaful business by geographical concentration is not relevant.

**Key assumptions**

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated in accordance to the guidelines laid down by BNM.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(i) Mortality and morbidity rates

Assumptions are based on the mortality rates as they reflect the historical local experience and are adjusted, when appropriate, to reflect the participants' own experience. Assumptions are differentiated by gender, occupational class and product group.

An increase in rates will lead to a larger number of claims (as claims could occur sooner than anticipated), which will reduce surplus from the risk fund and subsequently reduce profits for the shareholders in terms of reduction of income arising from the surplus administration charge and the requirement to inject Qard (a benevolent loan) into the Tabarru' Fund if there is any underwriting deficit.

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**31. UNDERWRITING RISK (CONTINUED)**

**Key assumptions (Continued)**

(ii) Discount rates

The family takaful liabilities are determined in present value terms using the approximate discount rates. Discount rates are based on the Guidelines on Valuation Basis for Liabilities of Family Takaful Business issued by BNM. Specifically, the rates used are derived from the Malaysian Government Islamic issued yields, determined based on the following:

- (a) for cash flows with durations of less than 15 years - Government Investment Issues ("GII") zero-coupon spot yield with matching duration; and
- (b) for cash flows with duration of 15 years or more – GII zero-coupon spot yield with 15 years term to maturity.

(iii) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business. These rates are based on the Company's historical experience of lapses and surrenders.

(iv) Expenses

Expense assumptions represent the expected amount that will be spent on the business. Assumptions on future expenses are at best estimate after taking into consideration current expense levels and the expected expense inflation.

**Sensitivity analysis**

Sensitivity analyses produced are based on parameters set out as follows:

**Change in assumptions**

- |  |                           |
|--|---------------------------|
| (a) Scenario 1 - Mortality and major illness | +25% for all future years |
| (b) Scenario 2 - Mortality and major illness | -25% for all future years |
| (c) Scenario 3 - Health and disability       | +25% for all future years |
| (d) Scenario 4 - Health and disability       | -25% for all future years |
| (e) Scenario 5 - Lapse and surrender rates   | +25% for all future years |
| (f) Scenario 6 - Lapse and surrender rates   | -25% for all future years |
| (g) Scenario 7 - Expenses                    | +30% for all future years |

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**31. UNDERWRITING RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

The sensitivity analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus, profit before taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact, changes in assumptions are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on profit before taxation		Impact on * equity RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
		← Increase/(decrease) →		← (Decrease)/increase →				
<b>Shareholders' fund - expense liabilities</b>								
<b>2014</b>								
Scenario 1 - Mortality and major illness	+25%	20	20	20	(20)	(20)	(15)	
Scenario 2 - Mortality and major illness	-25%	(18)	(18)	(18)	18	18	14	
Scenario 3 - Health and disability	+25%	1,295	1,295	1,295	(1,295)	(1,295)	(971)	
Scenario 4 - Health and disability	-25%	(465)	(465)	(465)	465	465	348	
Scenario 5 - Lapse and surrender rates	+25%	(411)	(411)	(411)	411	411	309	
Scenario 6 - Lapse and surrender rates	-25%	594	594	594	(594)	(594)	(445)	
Scenario 7 - Expenses	+30%	4,025	4,025	4,025	(4,025)	(4,025)	(3,019)	

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**31. UNDERWRITING RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

**Shareholders' fund - expense liabilities (Continued)**

**2013**

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on * equity RM'000
		← Increase/(decrease) →	← (Decrease)/increase →		
Scenario 1 - Mortality and major illness	+25%	146	146	(146)	(110)
Scenario 2 - Mortality and major illness	-25%	(238)	(238)	238	178
Scenario 3 - Health and disability	+25%	482	482	(482)	(361)
Scenario 4 - Health and disability	-25%	(92)	(92)	92	69
Scenario 5 - Lapse and surrender rates	+25%	(354)	(354)	354	266
Scenario 6 - Lapse and surrender rates	-25%	474	474	(474)	(356)
Scenario 7 - Expenses	+30%	1,865	1,865	(1,865)	(1,399)

**Family takaful fund - takaful certificate liabilities**

**2014**

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus RM'000	Impact on profit before taxation RM'000	Impact on participants' fund RM'000
		← Increase/(decrease) →	← (Decrease)/increase →	← (Decrease)/increase →		
Scenario 1 - Mortality and major illness	+25%	23,626	2,217	(2,217)	(171)	(2,046)
Scenario 2 - Mortality and major illness	-25%	(11,503)	(894)	894	8	886
Scenario 3 - Health and disability	+25%	17,199	13,538	(13,538)	(6)	(13,532)
Scenario 4 - Health and disability	-25%	(11,285)	(2,449)	2,449	1	2,448
Scenario 5 - Lapse and surrender rates	+25%	(3,021)	(515)	515	2	513
Scenario 6 - Lapse and surrender rates	-25%	4,163	705	(705)	(3)	(702)

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**31. UNDERWRITING RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

**Family takaful fund - takaful certificate liabilities**

**(Continued)**

2013	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on surplus		Impact on profit before taxation		Impact on participants' fund	
		RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Scenario 1 - Mortality and major illness	+25%	32,453		3,139		(3,139)		(70)		(3,069)	
Scenario 2 - Mortality and major illness	-25%	(13,838)		(1,206)		1,206		5		1,201	
Scenario 3 - Health and disability	+25%	22,139		11,097		(11,097)		(1)		(11,096)	
Scenario 4 - Health and disability	-25%	(9,262)		(944)		944		-		944	
Scenario 5 - Lapse and surrender rates	+25%	(2,824)		(328)		328		1		327	
Scenario 6 - Lapse and surrender rates	-25%	3,637		423		(423)		(2)		(421)	

2014	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on gross liabilities		Impact on net liabilities		Impact on profit before taxation		Impact on * equity	
		RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Scenario 1 - Mortality and major illness	+25%	23,646		2,237		(191)		2,237		(143)		(143)	
Scenario 2 - Mortality and major illness	-25%	(11,521)		(912)		26		(912)		20		20	
Scenario 3 - Health and disability	+25%	18,494		14,833		(1,301)		14,833		(976)		(976)	
Scenario 4 - Health and disability	-25%	(11,750)		(2,914)		466		(2,914)		350		350	
Scenario 5 - Lapse and surrender rates	+25%	(3,432)		(926)		413		(926)		310		310	
Scenario 6 - Lapse and surrender rates	-25%	4,757		1,299		(597)		1,299		(448)		(448)	
Scenario 7 - Expenses	+30%	4,025		4,025		(4,025)		4,025		(3,019)		(3,019)	

**Company - expense liabilities and takaful**

**certificate liabilities**

2014

2014	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on gross liabilities		Impact on net liabilities		Impact on profit before taxation		Impact on * equity	
		RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Scenario 1 - Mortality and major illness	+25%	23,646		2,237		(191)		2,237		(143)		(143)	
Scenario 2 - Mortality and major illness	-25%	(11,521)		(912)		26		(912)		20		20	
Scenario 3 - Health and disability	+25%	18,494		14,833		(1,301)		14,833		(976)		(976)	
Scenario 4 - Health and disability	-25%	(11,750)		(2,914)		466		(2,914)		350		350	
Scenario 5 - Lapse and surrender rates	+25%	(3,432)		(926)		413		(926)		310		310	
Scenario 6 - Lapse and surrender rates	-25%	4,757		1,299		(597)		1,299		(448)		(448)	
Scenario 7 - Expenses	+30%	4,025		4,025		(4,025)		4,025		(3,019)		(3,019)	

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31. UNDERWRITING RISK (CONTINUED)

Sensitivity analysis (Continued)

Company - expense liabilities and takaful certificate liabilities (Continued)	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on profit before taxation		Impact on * equity RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2013								
		← Increase/(decrease) →		← (Decrease)/increase →				
Scenario 1 - Mortality and major illness	+25%	32,599	3,285	(216)	(162)			
Scenario 2 - Mortality and major illness	-25%	(14,076)	(1,444)	243	182			
Scenario 3 - Health and disability	+25%	22,621	11,579	(483)	(362)			
Scenario 4 - Health and disability	-25%	(9,354)	(1,036)	92	69			
Scenario 5 - Lapse and surrender rates	+25%	(3,178)	(682)	355	266			
Scenario 6 - Lapse and surrender rates	-25%	4,111	897	(476)	(357)			
Scenario 7 - Expenses	+30%	1,865	1,865	(1,865)	(1,399)			

\* The impact on equity is stated net of tax.

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**32. FINANCIAL RISK**

The Company may be exposed to financial risks arising from transactions in financial instruments. Financial risks include credit risk, liquidity risk and market risk. This note provides information about the Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing such risks.

**Market and credit risks**

Market risk arises when the market value of assets and liabilities fluctuates according to market conditions. Changes in profit rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the takaful operations as well as shareholders' equity.

The Company is exposed to market risk as well as mismatch risk between the assets and the liabilities of the takaful funds. The Company's liabilities are mostly short term in nature. The Company actively manages market risk through setting and monitoring of the investment policies, asset allocation, portfolio construction and risk management. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies.

Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risk resulting from changes in profit rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

**(a) Credit risk**

Credit risk represents the loss that would be recognised if counterparties to investment transactions and retakaful failed to meet their contractual obligations.

The Company is exposed to credit risk through (i) investment in bonds and (ii) exposure to counterparty's credit in retakaful contracts. For all types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialise as a result of the widening credit spread or a downgrade of credit ratings.

The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risks. These limits are reviewed on a regular basis. The creditworthiness of retakaful and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.



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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The Company is exposed to investment credit risk on its investment portfolio, primarily from investments in Islamic private debt securities or corporate bonds. Creditworthiness assessment for new and existing investments is undertaken by the Company in accordance with internal investment policies. The credit rating of the Company's bond portfolio is regularly monitored and any downgrade in credit ratings will be evaluated to determine appropriate actions. To-date, the Company's bond portfolio is highly rated, with no material exposures below investment grade.

To mitigate credit risk, investment policies prescribe the minimum credit rating of bonds that may be held. Investments are also managed by diversifying the Company's investment portfolio, which reduces the impact from individual companies defaulting. In addition, counterparty limits are set for investments and cash deposits.

The Company is exposed to retakaful counterparty credit risk where financial loss may arise from a retakaful operator's default, or the deterioration of the retakaful operator's solvency position. Retakaful is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. The Company gives due consideration to the credit quality of a retakaful operator before incepting a retakaful treaty arrangement.

Credit risk in respect of customer balances incurred on non-payment of contributions or contributions will only persist during the grace period specified in the certificate document until expiry, or when the certificate is either paid up or terminated.

The Company issues investment-linked investment certificates. In the investment-linked business, the participant bears the investment risk on the assets held in the investment-linked funds as the certificate benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on investment-linked financial assets.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Quoted Shariah-approved equities	7,537	14,579	22,116
Unit trusts - REITS	207	179	386
Government investment issues	11,529	32,396	43,925
Islamic private debt securities	35,622	34,914	70,536
Units held in investment-linked fund	8,759	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	41,847	41,847
Government investment issues	-	5,763	5,763
Islamic private debt securities	-	15,967	15,967
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	9,200	68,730	77,930
Takaful receivables	-	12,619	12,619
Retakaful assets	-	33,250	33,250
Other receivables	25,877	1,326	2,614
Cash and bank balances	2,350	8,002	10,352
	<u>101,081</u>	<u>269,572</u>	<u>337,305</u>

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

2013	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Quoted Shariah-approved equities	6,686	4,822	11,508
Unit trusts - REITS	192	96	288
Government investment issues	20,427	10,603	31,030
Islamic private debt securities	40,698	7,554	48,252
Units held in investment-linked fund	11,488	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	20,483	20,483
Financial instruments with embedded derivatives	-	14	14
Unit trusts - REITS	-	189	189
Government investment issues	-	24,970	24,970
Islamic private debt securities	-	12,011	12,011
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	3,460	31,910	35,370
Takaful receivables	-	6,439	6,439
Retakaful assets	-	31,728	31,728
Other receivables	10,067	585	1,551
Cash and bank balances	4,300	8,007	12,307
	<u>97,318</u>	<u>159,411</u>	<u>236,140</u>

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past due nor impaired			Not subject to credit risk	Past due	Total
	Government guaranteed	Investment grade*	Not rated			
<u>Shareholders' fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2014</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	7,537	-	7,537
Unit trusts - REITS	-	-	-	207	-	207
Government investment issues	11,529	-	-	-	-	11,529
Islamic private debt securities	-	35,622	-	-	-	35,622
Units held in investment-linked fund	-	-	8,759	-	-	8,759
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	9,200	-	-	-	9,200
Other receivables	-	-	25,877	-	-	25,877
Cash and bank balances	-	2,350	-	-	-	2,350
	<u>11,529</u>	<u>47,172</u>	<u>34,636</u>	<u>7,744</u>	-	<u>101,081</u>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

	Neither past due nor impaired		Not subject to credit risk	Past due	Total
	Government guaranteed (BBB to AAA)	Investment grade*			
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Shareholders' fund (Continued)</b>					
<b>2013</b>					
AFS financial assets:					
Quoted Shari'ah-approved equities	-	-	6,686	-	6,686
Unit trusts - REITS	-	-	192	-	192
Government investment issues	20,427	-	-	-	20,427
Islamic private debt securities	-	34,198	-	-	40,698
Units held in investment-linked fund	-	-	11,488	-	11,488
Loans and receivables:					
Islamic investment accounts with licensed Islamic banks	-	3,460	-	-	3,460
Other receivables	-	-	10,067	-	10,067
Cash and bank balances	-	4,300	-	-	4,300
	<b>20,427</b>	<b>41,958</b>	<b>6,878</b>	<b>-</b>	<b>97,318</b>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

	Neither past due nor impaired				Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000				
<b>Family takaful fund</b>							
<b>2014</b>							
AFS financial assets:							
Quoted Shariah-approved equities	-	-	-	14,579	-	14,579	
Unit trusts - REITS	-	-	-	179	-	179	
Government investment issues	32,396	-	-	-	-	32,396	
Islamic private debt securities	-	26,202	8,712	-	-	34,914	
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	41,847	-	41,847	
Government investment issues	5,763	-	-	-	-	5,763	
Islamic private debt securities	-	11,925	4,042	-	-	15,967	
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	-	68,730	-	-	-	68,730	
Takaful receivables	-	-	12,440	-	179	12,619	
Retakaful assets	-	33,250	-	-	-	33,250	
Other receivables	-	-	1,326	-	-	1,326	
Cash and bank balances	-	8,002	-	-	-	8,002	
	<b>38,159</b>	<b>148,109</b>	<b>26,520</b>	<b>56,605</b>	<b>179</b>	<b>269,572</b>	

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>Family takaful fund (Continued)</b>						
<b>2013</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	4,822	-	4,822
Unit trusts - REITS	-	-	-	96	-	96
Government investment issues	10,603	-	-	-	-	10,603
Islamic private debt securities	-	4,954	2,600	-	-	7,554
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	20,483	-	20,483
Financial instruments with embedded derivatives	-	-	-	14	-	14
Unit trusts - REITS	-	-	-	189	-	189
Government investment issues	24,970	-	-	-	-	24,970
Islamic private debt securities	-	6,098	5,913	-	-	12,011
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	31,910	-	-	-	31,910
Takaful receivables	-	-	6,211	-	228	6,439
Retakaful assets	-	31,728	-	-	-	31,728
Other receivables	-	-	585	-	-	585
Cash and bank balances	-	8,007	-	-	-	8,007
	<b>35,573</b>	<b>82,697</b>	<b>15,309</b>	<b>25,604</b>	<b>228</b>	<b>159,411</b>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

Company	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>2014</b>						
<b>AFS financial assets:</b>						
Quoted Shariah-approved equities	-	-	-	22,116	-	22,116
Unit trusts - REITS	-	-	-	386	-	386
Government investment issues	43,925	-	-	-	-	43,925
Islamic private debt securities	-	61,824	8,712	-	-	70,536
<b>Financial assets at FVTPL:</b>						
Quoted Shariah-approved equities	-	-	-	41,847	-	41,847
Government investment issues	5,763	-	-	-	-	5,763
Islamic private debt securities	-	11,925	4,042	-	-	15,967
<b>Loans and receivables:</b>						
Islamic investment accounts with licensed Islamic banks	-	77,930	-	-	-	77,930
Takaful receivables	-	-	12,440	-	179	12,619
Retakaful assets	-	33,250	-	-	-	33,250
Other receivables	-	-	2,614	-	-	2,614
Cash and bank balances	-	10,352	-	-	-	10,352
	<b>49,688</b>	<b>195,281</b>	<b>27,808</b>	<b>64,349</b>	<b>179</b>	<b>337,305</b>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.



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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

Company (Continued)	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>2013</b>						
<b>AFS financial assets:</b>						
Quoted Shariah-approved equities	-	-	-	11,508	-	11,508
Unit trusts - REITS	-	-	-	288	-	288
Government investment issues	31,030	-	-	-	-	31,030
Islamic private debt securities	-	39,152	9,100	-	-	48,252
<b>Financial assets at FVTPL:</b>						
Quoted Shariah-approved equities	-	-	-	20,483	-	20,483
Financial instruments with embedded derivatives	-	-	-	14	-	14
Unit trusts - REITS	-	-	-	189	-	189
Government investment issues	24,970	-	-	-	-	24,970
Islamic private debt securities	-	6,098	5,913	-	-	12,011
<b>Loans and receivables:</b>						
Islamic investment accounts with licensed Islamic banks	-	35,370	-	-	-	35,370
Takaful receivables	-	-	6,211	-	228	6,439
Retakaful assets	-	31,728	-	-	-	31,728
Other receivables	-	-	1,551	-	-	1,551
Cash and bank balances	-	12,307	-	-	-	12,307
	<b>56,000</b>	<b>124,655</b>	<b>22,775</b>	<b>32,482</b>	<b>228</b>	<b>236,140</b>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and A.M. Best.

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**32. FINANCIAL RISK (CONTINUED)**

**(a) Credit risk (Continued)**

The ageing analysis of financial assets past due but not impaired is as follows:

<u>Family takaful fund/Company</u>	6 months to			Total
	< 6 months RM'000	12 months RM'000	> 12 months RM'000	RM'000
<b>2014</b>				
Takaful receivables	18	152	9	179
<b>2013</b>				
Takaful receivables	-	176	52	228

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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks**

Cash flow and liquidity risks arise when a company is unable to meet its obligations at reasonable cost when required to do so. This typically happens when the investments in the portfolio are not liquid. Demands for funds can usually be met through ongoing normal operations, contributions received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated certificate claims, or other unexpected cash demands from participants.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash flows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force takaful contract liabilities consist of renewal contributions, commissions, claims, maturities and surrenders. Renewal contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although relatively small.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender charges in takaful certificates also protects the Company from losses due to unexpected surrender trends as well as reducing the sensitivity of surrenders to changes in profit rates.

**Maturity profiles**

The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial /takaful assets based on contractual undiscounted cash flow basis. For takaful contract liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Shareholders' fund</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014</b>							
AFS financial assets:							
Quoted Shariah-approved equities	7,537	-	-	-	-	7,537	7,537
Unit trusts - REITS	207	-	-	-	-	207	207
Government investment issues	11,529	158	231	5,275	8,767	-	14,431
Islamic private debt securities	35,622	478	916	11,045	43,015	-	55,454
Units held in investment-linked fund	8,759	-	-	-	-	8,759	8,759
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	9,200	9,203	-	-	-	-	9,203
Other receivables	25,877	25,877	-	-	-	-	25,877
Cash and bank balances	2,350	2,350	-	-	-	-	2,350
<b>Total financial assets</b>	<b>101,081</b>	<b>38,066</b>	<b>1,147</b>	<b>16,320</b>	<b>51,782</b>	<b>16,503</b>	<b>123,818</b>

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**32. FINANCIAL RISK (CONTINUED)**

(b) Cash flow and liquidity risks (Continued)

**Maturity profiles (Continued)**

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014 (Continued)</b>							
Expense liabilities	7,011	-	1,335	707	4,969	-	7,011
Amounts due to related companies	3,893	3,893	-	-	-	-	3,893
Takaful payables	4,295	4,295	-	-	-	-	4,295
Other payables	13,036	13,036	-	-	-	-	13,036
Provisions	3,051	3,051	-	-	-	-	3,051
Total financial liabilities	<u>31,286</u>	<u>24,275</u>	<u>1,335</u>	<u>707</u>	<u>4,969</u>	<u>-</u>	<u>31,286</u>
Total liquidity surplus/(gap)	69,795	13,791	(188)	15,613	46,813	16,503	92,532

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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Shareholders' fund</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2013</b>							
AFS financial assets:							
Quoted Shariah-approved equities	6,686	-	-	-	-	6,686	6,686
Unit trusts - REITS	192	-	-	-	-	192	192
Government investment issues	20,427	229	406	3,251	23,342	-	27,228
Islamic private debt securities	40,698	369	835	13,233	43,442	-	57,879
Units held in investment-linked fund	11,488	-	-	-	-	11,488	11,488
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	3,460	3,461	-	-	-	-	3,461
Other receivables	10,067	10,067	-	-	-	-	10,067
Cash and bank balances	4,300	4,300	-	-	-	-	4,300
<b>Total financial assets</b>	<b>97,318</b>	<b>18,426</b>	<b>1,241</b>	<b>16,484</b>	<b>66,784</b>	<b>18,366</b>	<b>121,301</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

**Shareholders' fund (Continued)**

**2013 (Continued)**

Expense liabilities	6,759	-	301	2,831	-	-	6,759
Amounts due to related companies	4,204	4,204	-	-	-	-	4,204
Takaful payables	4,831	4,831	-	-	-	-	4,831
Other payables	9,928	9,928	-	-	-	-	9,928
Provisions	4,135	4,135	-	-	-	-	4,135
Total financial liabilities	29,857	23,098	301	2,831	-	-	29,857
Total liquidity surplus/(gap)	67,461	(4,672)	16,183	63,953	18,366	-	91,444

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Family takaful fund</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014</b>							
<b>AFS financial assets:</b>							
Quoted Shariah-approved equities	14,579	-	-	-	-	14,579	14,579
Unit trusts - REITS	179	-	-	-	-	179	179
Government investment issues	32,396	441	613	28,475	8,503	-	38,032
Islamic private debt securities	34,914	417	848	11,380	38,837	-	51,482
<b>Financial assets at FVTPL:</b>							
Quoted Shariah-approved equities	41,847	-	-	-	-	41,847	41,847
Government investment issues	5,763	82	107	5,162	1,360	-	6,711
Islamic private debt securities	15,967	227	383	7,299	14,218	-	22,127
<b>Loans and receivables:</b>							
Islamic investment accounts with licensed Islamic banks	68,730	68,759	-	-	-	-	68,759
Takaful receivables	12,619	12,619	-	-	-	-	12,619
Retakaful assets	33,250	10,715	6,090	1,146	15,299	-	33,250
Other receivables	1,326	1,326	-	-	-	-	1,326
Cash and bank balances	8,002	8,002	-	-	-	-	8,002
<b>Total financial/takaful assets</b>	<b>269,572</b>	<b>102,588</b>	<b>8,041</b>	<b>53,462</b>	<b>78,217</b>	<b>56,605</b>	<b>298,913</b>



GREAT EASTERN TAKAFUL BERHAD  
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32. FINANCIAL RISK (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

Family takaful fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014 (Continued)</b>							
Takaful certificate liabilities	185,861	12,296	7,123	59,734	106,708	-	185,861
Takaful payables	13,650	13,650	-	-	-	-	13,650
Other payables	34,457	34,457	-	-	-	-	34,457
Total financial/takaful liabilities	233,968	60,403	7,123	59,734	106,708	-	233,968
Total liquidity surplus/(gap)	35,604	42,185	918	(6,272)	(28,491)	56,605	64,945

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Family takaful fund</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2013</b>							
<b>AFS financial assets:</b>							
Quoted Shariah-approved equities	4,822	-	-	-	-	4,822	4,822
Unit trusts - REITS	96	-	-	-	-	96	96
Government investment issues	10,603	116	201	1,606	12,013	-	13,936
Islamic private debt securities	7,554	66	118	1,388	8,264	-	9,836
<b>Financial assets at FVTPL:</b>							
Quoted Shariah-approved equities	20,483	-	-	-	-	20,483	20,483
Financial instruments with embedded derivativ	14	-	-	-	-	14	14
Unit trusts - REITS	189	-	-	-	-	189	189
Government investment issues	24,970	257	498	6,490	28,538	-	35,783
Islamic private debt securities	12,011	106	161	4,177	9,518	-	13,962
<b>Loans and receivables:</b>							
Islamic investment accounts with licensed Islamic banks	31,910	31,917	-	-	-	-	31,917
Takaful receivables	6,439	6,439	-	-	-	-	6,439
Retakaful assets	31,728	11,804	3,536	668	15,720	-	31,728
Other receivables	585	585	-	-	-	-	585
Cash and bank balances	8,007	8,007	-	-	-	-	8,007
<b>Total financial/takaful assets</b>	<b>159,411</b>	<b>59,297</b>	<b>4,514</b>	<b>14,329</b>	<b>74,053</b>	<b>25,604</b>	<b>177,797</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

**Family takaful fund (Continued)**

**2013 (Continued)**

	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Takaful certificate liabilities	102,138	14,821	3,928	8,333	75,056	-	102,138
Takaful payables	5,842	5,842	-	-	-	-	5,842
Other payables	31,924	31,924	-	-	-	-	31,924
<b>Total financial/takaful liabilities</b>	<b>139,904</b>	<b>52,587</b>	<b>3,928</b>	<b>8,333</b>	<b>75,056</b>	<b>-</b>	<b>139,904</b>
<b>Total liquidity surplus/(gap)</b>	<b>19,507</b>	<b>6,710</b>	<b>586</b>	<b>5,996</b>	<b>(1,003)</b>	<b>25,604</b>	<b>37,893</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014</b>							
<b>AFS financial assets:</b>							
Quoted Shariah-approved equities	22,116	-	-	-	-	22,116	22,116
Unit trusts - REITS	386	-	-	-	-	386	386
Government investment issues	43,925	599	844	33,750	17,269	-	52,462
Islamic private debt securities	70,536	896	1,764	22,425	81,852	-	106,937
<b>Financial assets at FVTPL:</b>							
Quoted Shariah-approved equities	41,847	-	-	-	-	41,847	41,847
Government investment issues	5,763	82	107	5,162	1,360	-	6,711
Islamic private debt securities	15,967	227	383	7,299	14,218	-	22,127
<b>Loans and receivables:</b>							
Islamic investment accounts with licensed Islamic banks	77,930	77,963	-	-	-	-	77,963
Takaful receivables	12,619	12,619	-	-	-	-	12,619
Retakaful assets	33,250	10,715	6,090	1,146	15,299	-	33,250
Other receivables	2,614	2,614	-	-	-	-	2,614
Cash and bank balances	10,352	10,352	-	-	-	-	10,352
<b>Total financial/takaful assets</b>	<b>337,305</b>	<b>116,067</b>	<b>9,188</b>	<b>69,782</b>	<b>129,998</b>	<b>64,349</b>	<b>389,384</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2014 (Continued)</b>							
Expense liabilities	7,011	-	1,335	707	4,969	-	7,011
Takaful certificate liabilities	214,468	40,903	7,123	59,734	106,708	-	214,468
Amounts due to related companies	3,893	3,893	-	-	-	-	3,893
Takaful payables	17,945	17,945	-	-	-	-	17,945
Other payables	22,904	22,904	-	-	-	-	22,904
Provisions	3,051	3,051	-	-	-	-	3,051
<b>Total financial/takaful liabilities</b>	<b>269,272</b>	<b>88,696</b>	<b>8,458</b>	<b>60,441</b>	<b>111,677</b>	<b>-</b>	<b>269,272</b>
<b>Total liquidity surplus/(gap)</b>	<b>68,033</b>	<b>27,371</b>	<b>730</b>	<b>9,341</b>	<b>18,321</b>	<b>64,349</b>	<b>120,112</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2013</b>							
<b>AFS financial assets:</b>							
Quoted Shariah-approved equities	11,508	-	-	-	-	11,508	11,508
Unit trusts - REITS	288	-	-	-	-	288	288
Government investment issues	31,030	345	607	4,857	35,355	-	41,164
Islamic private debt securities	48,252	435	953	14,621	51,706	-	67,715
<b>Financial assets at FVTPL:</b>							
Quoted Shariah-approved equities	20,483	-	-	-	-	20,483	20,483
Financial instruments with embedded derivatives	14	-	-	-	-	14	14
Unit trusts - REITS	189	-	-	-	-	189	189
Government investment issues	24,970	257	498	6,490	28,538	-	35,783
Islamic private debt securities	12,011	106	161	4,177	9,518	-	13,962
<b>Loans and receivables:</b>							
Islamic investment accounts with licensed Islamic banks	35,370	35,378	-	-	-	-	35,378
Takaful receivables	6,439	6,439	-	-	-	-	6,439
Retakaful assets	31,728	11,804	3,536	668	15,720	-	31,728
Other receivables	1,551	1,551	-	-	-	-	1,551
Cash and bank balances	12,307	12,307	-	-	-	-	12,307
<b>Total financial/takaful assets</b>	<b>236,140</b>	<b>68,622</b>	<b>5,755</b>	<b>30,813</b>	<b>140,837</b>	<b>32,482</b>	<b>278,509</b>

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**32. FINANCIAL RISK (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2013 (Continued)</b>							
Expense liabilities	6,759	-	3,627	301	2,831	-	6,759
Takaful certificate liabilities	112,060	24,743	3,928	8,333	75,056	-	112,060
Amounts due to related companies	4,204	4,204	-	-	-	-	4,204
Takaful payables	10,673	10,673	-	-	-	-	10,673
Other payables	32,751	32,751	-	-	-	-	32,751
Provisions	4,135	4,135	-	-	-	-	4,135
<b>Total financial/takaful liabilities</b>	<b>170,582</b>	<b>76,506</b>	<b>7,555</b>	<b>8,634</b>	<b>77,887</b>	<b>-</b>	<b>170,582</b>
<b>Total liquidity surplus/(gap)</b>	<b>65,558</b>	<b>(7,884)</b>	<b>(1,800)</b>	<b>22,179</b>	<b>62,950</b>	<b>32,482</b>	<b>107,927</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(c) Profit rate risk (including asset liability mismatch)**

The Company is exposed to fair value profit rate risk through (i) investments in deposits and money market instruments in both the shareholders' fund and the family takaful fund and (ii) contract liabilities in the takaful funds. This happens when there are changes to profit rates, resulting in changes to fair values rather than cash flows; an example being fixed profit rate loans and assets. Conversely, floating rate loans expose the Company to cash flow profit rate risk.

Since the shareholders' fund has exposure to investments in fixed income instruments but no exposure to takaful contract liabilities, it will incur an economic loss when profit rates rise.

Given the long duration of contract liabilities and uncertainty of cash flows for takaful funds, it is not possible to hold assets that will perfectly match the contract liabilities. This results in a net profit rate risk or asset liability mismatch risk. On the other hand, the takaful fund is likely to incur economic loss when profit rates drop since the duration of participants' liabilities are generally longer than the duration of the fixed income assets.

The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements.

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to profit rate risk.

<b><u>Shareholders' fund</u></b>	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Total RM'000</b>
<b>2014</b>			
Government investment issues	-	11,529	11,529
Islamic private debt securities	-	35,622	35,622
Islamic investment accounts with licensed Islamic banks	9,200	-	9,200
	<u>9,200</u>	<u>47,151</u>	<u>56,351</u>
<b>2013</b>			
Government investment issues	-	20,427	20,427
Islamic private debt securities	-	40,698	40,698
Islamic investment accounts with licensed Islamic banks	3,460	-	3,460
	<u>3,460</u>	<u>61,125</u>	<u>64,585</u>



**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(c) Profit rate risk (including asset liability mismatch) (Continued)**

<u>Family takaful fund</u>	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
<b>2014</b>			
Government investment issues	-	38,159	38,159
Islamic private debt securities	-	50,881	50,881
Islamic investment accounts with licensed Islamic banks	68,730	-	68,730
	<u>68,730</u>	<u>89,040</u>	<u>157,770</u>
<b>2013</b>			
Government investment issues	-	35,573	35,573
Islamic private debt securities	-	19,565	19,565
Islamic investment accounts with licensed Islamic banks	31,910	-	31,910
	<u>31,910</u>	<u>55,138</u>	<u>87,048</u>
<u>Company</u>	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
<b>2014</b>			
Government investment issues	-	49,688	49,688
Islamic private debt securities	-	86,503	86,503
Islamic investment accounts with licensed Islamic banks	77,930	-	77,930
	<u>77,930</u>	<u>136,191</u>	<u>214,121</u>
<b>2013</b>			
Government investment issues	-	56,000	56,000
Islamic private debt securities	-	60,263	60,263
Islamic investment accounts with licensed Islamic banks	35,370	-	35,370
	<u>35,370</u>	<u>116,263</u>	<u>151,633</u>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

**(c) Profit rate risk (including asset liability mismatch) (Continued)**

**Sensitivity analysis on financial risks**

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in profit and loss, and changes in valuation of takaful contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in the shareholders' fund.

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**32. FINANCIAL RISK (CONTINUED)**

**(c) Profit rate risk (including asset liability mismatch) (Continued)**

The Company measures and manages profit rate risk based on the following philosophies and principles:

- i) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- ii) Set the benchmark for asset duration in line with risk appetite; and
- iii) Use key risk indicators to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	2014		2013		Impact on equity*/participants' fund		Impact on net surplus arising before tax		Impact on gross liabilities		Impact on net liabilities		Impact on surplus arising before tax		Impact on equity*/participants' fund	
	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)	RM'000	Increase/(Decrease)
<b>Change in profit rate</b>																
<b>Shareholders' fund</b>																
+100 basis points	(353)	-	(353)	-	(89)	(146)	(146)	-	(146)	-	(146)	-	146	-	(349)	(349)
-100 basis points	519	-	519	-	(36)	238	238	-	238	-	238	-	(238)	-	280	280
<b>Family takaful fund</b>																
+100 basis points	-	(217)	-	(217)	(819)	-	-	(370)	-	-	-	(507)	-	-	(507)	(507)
-100 basis points	-	217	-	217	819	-	-	370	-	-	-	507	-	-	507	507
<b>Company</b>																
+100 basis points	(353)	-	(353)	-	(89)	(146)	(146)	-	(146)	-	(146)	-	146	-	(349)	(349)
-100 basis points	519	-	519	-	(36)	238	238	-	238	-	238	-	(238)	-	280	280

\* Impact on equity is after tax of 25%.

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**32. FINANCIAL RISK (CONTINUED)**

**(d) Foreign currency risk**

Investments denominated in foreign currencies are limited to 10% with no country limit, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. Most of the foreign currency risk arises from transactions with the Group for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact on foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk. Foreign currency risks of the takaful funds are borne by the participants and not the Company.

The table below shows the foreign exchange position of the Company's assets/liabilities by major currencies.

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2014</b>			
<b>Assets</b>			
Motor vehicle and equipment	6,272	-	6,272
Intangible assets	4,324	-	4,324
Investment assets:			
AFS financial assets	63,654	-	63,654
Loans and receivables	9,200	-	9,200
Other receivables	25,877	-	25,877
Deferred tax asset	4,373	-	4,373
Cash and bank balances	2,350	-	2,350
<b>Total assets</b>	<u>116,050</u>	<u>-</u>	<u>116,050</u>
<b>Liabilities</b>			
Provision for zakat	75	-	75
Expense liabilities	7,011	-	7,011
Amounts due to related companies	2,393	1,500	3,893
Takaful payables	4,295	-	4,295
Other payables	13,036	-	13,036
Provisions	3,051	-	3,051
<b>Total liabilities</b>	<u>29,861</u>	<u>1,500</u>	<u>31,361</u>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. FINANCIAL RISK (CONTINUED)**

(d) Foreign currency risk (Continued)

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2013</b>			
<b>Assets</b>			
Motor vehicle and equipment	4,531	-	4,531
Intangible assets	5,554	-	5,554
Investment assets:			
AFS financial assets	79,491	-	79,491
Loans and receivables	3,460	-	3,460
Other receivables	10,067	-	10,067
Deferred tax asset	5,916	-	5,916
Cash and bank balances	4,300	-	4,300
<b>Total assets</b>	<u>113,319</u>	<u>-</u>	<u>113,319</u>
<b>Liabilities</b>			
Expense liabilities	6,759	-	6,759
Amounts due to related companies	2,681	1,523	4,204
Takaful payables	4,831	-	4,831
Other payables	9,928	-	9,928
Provisions	4,135	-	4,135
<b>Total liabilities</b>	<u>28,334</u>	<u>1,523</u>	<u>29,857</u>

GREAT EASTERN TAKAFUL BERHAD  
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## 32. FINANCIAL RISK (CONTINUED)

## (d) Foreign currency risk (Continued)

<u>Family takaful fund</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2014</b>			
<b>Assets</b>			
Investment assets:			
AFS financial assets	82,068	-	82,068
Financial assets at FVTPL	63,577	-	63,577
Loans and receivables	68,730	-	68,730
Takaful receivables	12,619	-	12,619
Retakaful assets	33,250	-	33,250
Other receivables	1,326	-	1,326
Tax recoverable	21	-	21
Cash and bank balances	8,000	2	8,002
<b>Total assets</b>	<u>269,591</u>	<u>2</u>	<u>269,593</u>
<b>Liabilities</b>			
Takaful certificate liabilities	185,861	-	185,861
Participants' fund	35,622	-	35,622
Deferred tax liability	3	-	3
Takaful payables	13,650	-	13,650
Other payables	34,457	-	34,457
<b>Total liabilities</b>	<u>269,593</u>	<u>-</u>	<u>269,593</u>

GREAT EASTERN TAKAFUL BERHAD  
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## 32. FINANCIAL RISK (CONTINUED)

## (d) Foreign currency risk (Continued)

<u>Family takaful fund</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2013</b>			
<b>Assets</b>			
Investment assets:			
AFS financial assets	23,075	-	23,075
Financial assets at FVTPL	57,667	-	57,667
Loans and receivables	31,910	-	31,910
Takaful receivables	6,439	-	6,439
Retakaful assets	31,728	-	31,728
Other receivables	585	-	585
Cash and bank balances	8,005	2	8,007
<b>Total assets</b>	<u>159,409</u>	<u>2</u>	<u>159,411</u>
<b>Liabilities</b>			
Provision for taxation	265	-	265
Takaful certificate liabilities	102,138	-	102,138
Participants' fund	18,922	-	18,922
Deferred tax liability	320	-	320
Takaful payables	5,842	-	5,842
Other payables	31,924	-	31,924
<b>Total liabilities</b>	<u>159,411</u>	<u>-</u>	<u>159,411</u>

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## 32. FINANCIAL RISK (CONTINUED)

## (d) Foreign currency risk (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2014</b>			
<b>Assets</b>			
Motor vehicle and equipment	6,272	-	6,272
Intangible assets	4,324	-	4,324
Investment assets:			
AFS financial assets	136,963	-	136,963
Financial assets at FVTPL	63,577	-	63,577
Loans and receivables	77,930	-	77,930
Takaful receivables	12,619	-	12,619
Retakaful assets	33,250	-	33,250
Other receivables	2,614	-	2,614
Deferred tax asset	4,809	-	4,809
Tax recoverable	21	-	21
Cash and bank balances	10,350	2	10,352
<b>Total assets</b>	<b>352,729</b>	<b>2</b>	<b>352,731</b>
<b>Liabilities</b>			
Provision for zakat	75	-	75
Expense liabilities	7,011	-	7,011
Takaful certificate liabilities	214,468	-	214,468
Deferred tax liability	3	-	3
Amounts due to related companies	2,393	1,500	3,893
Takaful payables	17,945	-	17,945
Other payables	22,904	-	22,904
Provisions	3,051	-	3,051
<b>Total liabilities</b>	<b>267,850</b>	<b>1,500</b>	<b>269,350</b>



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**32. FINANCIAL RISK (CONTINUED)**

(d) Foreign currency risk (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2013</b>			
<b>Assets</b>			
Motor vehicle and equipment	4,531	-	4,531
Intangible assets	5,554	-	5,554
Investment assets:			
AFS financial assets	91,078	-	91,078
Financial assets at FVTPL	57,667	-	57,667
Loans and receivables	35,370	-	35,370
Takaful receivables	6,439	-	6,439
Retakaful assets	31,728	-	31,728
Other receivables	1,551	-	1,551
Deferred tax asset	6,538	-	6,538
Cash and bank balances	12,305	2	12,307
<b>Total assets</b>	<u>252,761</u>	<u>2</u>	<u>252,763</u>
<b>Liabilities</b>			
Provision for taxation	265	-	265
Expense liabilities	6,759	-	6,759
Takaful certificate liabilities	112,060	-	112,060
Deferred tax liability	320	-	320
Amounts due to related companies	2,681	1,523	4,204
Takaful payables	10,673	-	10,673
Other payables	32,751	-	32,751
Provisions	4,135	-	4,135
<b>Total liabilities</b>	<u>169,644</u>	<u>1,523</u>	<u>171,167</u>

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**32. FINANCIAL RISK (CONTINUED)**

**(e) Equity price risk**

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market.

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Company through its investments in the shareholders' fund and takaful funds, bears all or most of the volatility in returns and investment performance risk.

Equity price risk also exists in investment-linked products where the revenues of the takaful operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned.

The Company has a robust monitoring process in place to manage equity risk by activating appropriate transfer strategies to limit the downside risk at certain predetermined levels. Limits are set for single security holdings as to country, sector, market and issuer, as a percentage of equity holdings, having regards to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Market indices - Bursa

Change in basis point	← 2014 →		← 2013 →	
	Impact on surplus arising RM'000 ← Increase/(decrease) →	Impact on equity*/ participants' fund RM'000	Impact on surplus arising RM'000 ← Increase/(decrease) →	Impact on equity*/ participants' fund RM'000
<b>Shareholders' fund</b>				
+ 5 basis points	-	3	-	3
- 5 basis points	-	(3)	-	(3)
<b>Family takaful fund</b>				
+ 5 basis points	21	26	10	12
- 5 basis points	(21)	(26)	(10)	(12)
<b>Company</b>				
+ 5 basis points	-	3	-	3
- 5 basis points	-	(3)	-	(3)

\* Impact on equity is after tax of 25%.

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**32. FINANCIAL RISK (CONTINUED)**

**(f) Credit spread risk**

Exposure to credit spread risk exists in the Company's investments in Islamic private debt securities or corporate bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Company's bond portfolio.

**(g) Concentration risk**

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage these risks. These limits are reviewed on a regular basis by the ALC.

**33. OPERATIONAL AND COMPLIANCE RISK**

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors, fraud or external events. Operational risks can cause damage to the Company's reputation, have legal or regulatory implications or can lead to financial loss.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with business principles, internal policies and procedures, applicable laws, regulations, rules and standards governing the Company's products, services and activities including codes and conducts of the Company's industry.

The Company has established a Risk Management and Compliance Department to oversee all compliance aspects in observing the regulatory requirements. The day-to-day management of operational and compliance risk is effected through the maintenance of reasonable internal controls and processes, supported by an infrastructure of systems and procedures to monitor processes and transactions.

Operational and compliance issues are reviewed and monitored by the SMT in its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Audit Committee.

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**34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The bases by which fair values of financial assets, takaful receivables, takaful payables and other financial liabilities are disclosed in Note 2.2(g) as well as the relevant explanatory notes in the financial statements.

The fair values of financial assets can be classified in accordance to the fair value hierarchy as defined by MFRS 7 *Financial Instruments: Disclosures*. The different levels of the fair value hierarchy are an indication of the observability of prices or valuation inputs. The definition of the different levels of the fair value hierarchy is as follows:

(i) Level 1: Active market – quoted prices

Prices of financial instruments are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, or other counterparty, and those prices reflect actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include equity investments listed on exchanges and unit trusts - REITS where unit prices are published or otherwise available.

(ii) Level 2: No active market – valuation using market observable inputs

Fair values of these financial instruments are valued using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This includes financial instruments where prices are determined and estimated by pricing services or other agencies including most unquoted private debt securities and government investment issues.

(iii) Level 3: No active market – valuation using non-market observable inputs

These financial instruments are valued using inputs that are not based on observable market data. Examples of such instruments include unquoted corporate bonds in illiquid markets, non-listed equity investments and over-the-counter derivatives.

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy follows:

2014	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Shareholders' fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	7,537	-	7,537
Unit trusts - REITS	207	-	207
Government investment issues	-	11,529	11,529
Islamic private debt securities	-	35,622	35,622
Units held in investment-linked fund	8,759	-	8,759
	<u>16,503</u>	<u>47,151</u>	<u>63,654</u>

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**34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

2013	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Shareholders' fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	6,686	-	6,686
Unit trusts - REITS	192	-	192
Government investment issues	-	20,427	20,427
Islamic private debt securities	-	40,698	40,698
Units held in investment-linked fund	11,488	-	11,488
	<u>18,366</u>	<u>61,125</u>	<u>79,491</u>
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Family takaful fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	14,579	-	14,579
Unit trusts - REITS	179	-	179
Government investment issues	-	32,396	32,396
Islamic private debt securities	-	34,914	34,914
Financial assets at FVTPL:			
Quoted Shariah-approved equities	41,847	-	41,847
Government investment issues	-	5,763	5,763
Islamic private debt securities	-	15,967	15,967
	<u>56,605</u>	<u>89,040</u>	<u>145,645</u>
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Family takaful fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	4,822	-	4,822
Unit trusts - REITS	96	-	96
Government investment issues	-	10,603	10,603
Islamic private debt securities	-	7,554	7,554
Financial assets at FVTPL:			
Quoted Shariah-approved equities	20,483	-	20,483
Financial instruments with embedded derivatives	14	-	14
Unit trusts - REITS	189	-	189
Government investment issues	-	24,970	24,970
Islamic private debt securities	-	12,011	12,011
	<u>25,604</u>	<u>55,138</u>	<u>80,742</u>

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**34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

2014	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Company</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	22,116	-	22,116
Unit trusts - REITS	386	-	386
Government investment issues	-	43,925	43,925
Islamic private debt securities	-	70,536	70,536
Financial assets at FVTPL:			
Quoted Shariah-approved equities	41,847	-	41,847
Government investment issues	-	5,763	5,763
Islamic private debt securities	-	15,967	15,967
	64,349	136,191	200,540
2013	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Company</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	11,508	-	11,508
Unit trusts - REITS	288	-	288
Government investment issues	-	31,030	31,030
Islamic private debt securities	-	48,252	48,252
Financial assets at FVTPL:			
Quoted Shariah-approved equities	20,483	-	20,483
Financial instruments with embedded derivatives	14	-	14
Unit trusts - REITS	189	-	189
Government investment issues	-	24,970	24,970
Islamic private debt securities	-	12,011	12,011
	32,482	116,263	148,745

There were no financial instruments whose fair values were determined based on Level 3 of the fair value hierarchy during the financial year ended 31 December 2013 and 31 December 2014 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

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**35. SHARIAH NON-COMPLIANCE RISK**

Shariah non-compliance risk refers to possible failure to meet the obligation of Shariah principles and values. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and ultimately impediment from Allah's barakah and blessing.

The Company has in place a robust Shariah control framework to mitigate such risks by constantly monitoring the complete end-to-end processes and operations of the Company in all aspects. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Compliance Department, Shariah risk management process and Shariah audit. Other relevant controls include staff awareness training programmes and internal operating Shariah Compliance Manual.

**36. OPERATING LEASE AGREEMENTS**

The Company has entered into non-cancellable operating lease agreements for the use of office premises and equipment. The leases are for a period of 1 to 3 years. There are no restrictions placed upon the Company by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

<u>Shareholders' fund/Company</u>	2014 RM'000	2013 RM'000
Not later than 1 year	1,471	910
Later than 1 year but not later than 5 years	1,755	211
	<u>3,226</u>	<u>1,121</u>

**37. INVESTMENT-LINKED TAKAFUL FUNDS**

**(a) Statement of income and expenditure**

	2014 RM'000	2013 RM'000
Investment income	2,799	1,739
Net fair value gains and losses	(3,964)	2,756
	<u>(1,165)</u>	<u>4,495</u>
Other operating expenses	(150)	(261)
(Loss)/profit before taxation	(1,315)	4,234
Taxation	258	(297)
Net (loss)/profit for the year	<u>(1,057)</u>	<u>3,937</u>
Undistributed income brought forward	5,675	1,738
Undistributed income carried forward	<u>4,618</u>	<u>5,675</u>

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**37. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)**

**(b) Statement of Financial Position**

<b>ASSETS</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Financial assets at FVTPL:		
Quoted Shariah-approved equities	41,847	20,483
Financial instruments with embedded derivatives	-	14
Unit trusts - REITS	-	189
Government investment issues	-	999
Islamic private debt securities	11,925	7,282
Profit receivable	209	137
Loans and receivables		
Islamic investment accounts with licensed Islamic banks	15,440	5,500
Other receivables	68	626
Tax recoverable	67	-
Cash and bank balances	268	326
Total assets	<u>69,824</u>	<u>35,556</u>
 <b>LIABILITIES</b>		
Other payables	2,069	218
Deferred tax liabilities	3	320
Current tax liabilities	-	115
Total liabilities	<u>2,072</u>	<u>653</u>
 Represented by:		
Net asset value of funds	<u>67,752</u>	<u>34,903</u>
Value of units	63,134	29,228
Undistributed income carried forward	4,618	5,675
Net asset value of funds	<u>67,752</u>	<u>34,903</u>