



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 2015

916257-H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

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

	RM'000
Net loss for the year	<u>(12,308)</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.

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

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DIRECTORS (CONTINUED)

In accordance with Article 72 of the Company's Articles of Association, Datuk Kamaruddin bin Taib and Dato Koh Yaw Hui 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:

Shareholdings in which Directors have a direct interest
01.01.2015 Acquired Disposed 31.12.2015

(a) Ordinary shares in the capital of OCBC Bank

Dato Koh Yaw Hui	120,000	61,391	(6,000)	175,391
Mr Norman Ip Ka Cheung	3,950	159	-	4,109

(b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank

Mr Norman Ip Ka Cheung	2,000	-	(2,000)	-
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GREAT EASTERN TAKAFUL BERHAD
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DIRECTORS' INTERESTS (CONTINUED)

	<u>Shareholdings in which Directors are deemed to have an interest</u>			
	<u>01.01.2015</u>	<u>Adjustment</u>	<u>Granted</u>	<u>Vested 31.12.2015</u>
(c) Ordinary shares in the capital of OCBC Bank				

Dato Koh Yaw Hui	38,486	(119)	19,693	(18,015)	40,045 ⁽¹⁾
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Note:

(1) Comprises deemed interest in 33,086 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 6,959 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 (\$)</u>	<u>01.01.2015</u>	<u>Granted</u>	<u>Exercised 31.12.2015</u>
(d) Options to subscribe for ordinary shares in the capital of OCBC Bank					
Dato Koh Yaw Hui	07.04.2015	5.63	20,566	-	20,566
	22.05.2016	6.40	20,566	-	10,566
	13.03.2017	8.35	20,566	-	-
	13.03.2018	7.31	25,707	-	-
	15.03.2019	4.02	20,566	-	-
	14.03.2020	8.52	41,132	-	-
	13.03.2021	9.09	37,813	-	-
	13.03.2022	8.56	86,387	-	-
	13.03.2023	10.02	191,161	-	-
	13.03.2024	9.17	123,277	-	-
	13.03.2025	10.38	-	29,608	-

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.

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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 there were no known bad debts and that no provision for doubtful debts was necessary; 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) it necessary to write-off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; 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.

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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 3 February 2016.



Datuk Kamaruddin bin Taib



Dato Koh Yaw Hui

Kuala Lumpur

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

Great Eastern Takaful Berhad (the "Company") fully appreciates the importance of adopting high standards of corporate governance and 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") has 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.

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.

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 Committees

The Board has established specialised Board Committees to assist in carrying out more effectively its oversight of the operations and business affairs of the Company. 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. Although the Board Committees are granted such discretionary authority to deliberate and decide on certain key and operational matters, the ultimate responsibility for decision making lies with the Board. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee and Board Risk Committee. Details of the roles and responsibilities of the Board Committees are set out in the 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 and Board Committees' meetings are scheduled in advance for the year and ad hoc Board and Board Committees' meetings are convened on a need to basis to address urgent issues and/or critical matters between the scheduled meetings. At the Board and Board Committees' meetings, the Board reviews the business performance and key activities of the Company presented by Senior Management Team and to consider business proposals of a significant nature.

All members of the Board participate actively in the discussions and decisions are made objectively in the interests of the Company.

In 2015, the Board met six (6) times to deliberate and consider variety of significant matters that required its guidance and approval. The number of meetings of the Board and Board Committees held in 2015 and the attendance of each Director on the Board and respective Board Committees during the financial year ended 2015, are set out below:

Name of Director	Board		Nominating Committee		Remuneration Committee	
	No. of Meetings ⁽²⁾		No. of Meetings ⁽³⁾		No. of Meetings ⁽⁴⁾	
	Held	Attended	Held	Attended	Held	Attended
Datuk Kamaruddin bin Taib (Chairman)	6	6	6	6	2	2
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	6	6	6	6	2	2
Mr Norman Ip Ka Cheung ⁽¹⁾	6	6	6	6	2	2
Tuan Haji Jamaluddin bin Masrin	6	6	6	6	2	2
Dato Koh Yaw Hui	6	6	6	6	-	-

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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)

Name of Director	Audit Committee		Board Risk Committee	
	No. of Meetings ⁽⁵⁾		No. of Meetings ⁽⁶⁾	
	Held	Attended	Held	Attended
Datuk Kamaruddin bin Taib	4	4	4	4
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	-	-	4	4
Mr Norman Ip Ka Cheung ⁽¹⁾	4	4	4	4
Tuan Haji Jamaluddin bin Masrin	4	4	-	-

Notes:

- (1) A total of 6 Board meetings were held in 2015, on 29 January, 24 March, 26 May, 15 July, 9 September and 18 November 2015.
- (2) A total of 6 Nominating Committee meetings were held in 2015, on 29 January, 24 March, 26 May, 15 July, 9 September and 18 November 2015.
- (3) A total of 2 Remuneration Committee meetings were held in 2015, on 29 January and 24 March 2015.
- (4) A total of 4 Audit Committee meetings were held in 2015, on 29 January, 20 April, 15 July and 19 October 2015.
- (5) A total of 4 Board Risk Committee meetings were held in 2015, on 24 March, 26 May, 9 September and 18 November 2015.

Board Membership

The Company's Board comprises 5 members, being 4 Non-Executive Directors and 1 Executive Director. A majority of Non-Executive Directors are Independent Directors. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation. All Directors comply with the prescribed maximum limit of other directorship held.

The composition of the Board was as follows:

Members

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

Status of directorship

Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Executive Director

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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 and qualifications, and bring a wide range of financial and commercial experiences to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company, including industry knowledge in insurance and takaful, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. 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 set 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

The Company encourages continuous professional development for the benefit of Directors and Directors are 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 Directors have attended the high level Financial Institutions Directors' Education ("FIDE") Programmes developed by BNM and Perbadanan Insurans Deposit Malaysia, administered by the Iclif Leadership and Governance Centre. Additionally, the Company is a corporate member of the FIDE Forum since 2012, which was established to promote best practice corporate governance standards for Board and Directors conduct, practice and performance in financial institutions in Malaysia, including sound risk management. 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 has 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 principal responsibilities of the Chairman including leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board and monitoring the quality and timeliness of the flow of information from Management to the Board. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. The Chairman also facilitates robust discussions and deliberations at Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. The Chairman 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 are 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 has 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.

The Nominating Committee makes 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.

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

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Nominating Committee (Continued)

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 Nominating Committee 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 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.

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

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Remuneration Committee

The Remuneration Committee comprised of 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

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 is able to attract, retain and motivate the calibre 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 and consistent with the prudent management of the Company's affairs.

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.

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

Audit Committee

The Audit Committee comprised of 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, has 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.

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

The Audit Committee discharged the following functions:

- (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.

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

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Audit Committee (Continued)

- (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.
- (e) Reviewed the outsourced servicing fee relating to internal audit
- (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 of the following 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 discharged the following functions:

Governance and Oversight

- (a) reviewed the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board.
- (b) reviewed and endorsed 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) endorsed 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) reviewed the services of the outsourced function and outsourced servicing fee relating to risk management and compliance;
- (e) reviewed and recommended risk tolerance levels (Risk Appetite Statement and Regulatory Limits) for the Board's approval.

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 Risk Committee (Continued)

Governance and Oversight (Continued)

- (f) overseen the establishment and implementation of approved frameworks, policies, strategies and limits; and where required, endorse deviations from approved framework and policies.
- (g) reviewed 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) reviewed 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) reviewed the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities.
- (j) initiated any review and action as appropriate for prudent risk management.
- (k) ensured 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) reviewed the scope, effectiveness and objectivity of the risk management function.

Risk Management

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

Investment, Asset-liability and Liability Management

- (o) reviewed and endorsed annual strategic asset allocation and tactical asset allocation limits for the Board's approval.
- (p) reviewed and endorsed 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) reviewed the assets and portfolios in the watchlist.

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)

Investment, Asset-liability and Liability Management (Continued)

- (r) reviewed reports to monitor and control Company's financial risk exposures, which include the Investment Dashboard.
- (s) undertook 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, are annually reviewed by the Board Risk Committee or the Audit Committee and approved by the Board.

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

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), the Malaysian Financial Reporting Standard (“MFRS”) 124: Related Party Disclosure and Islamic Financial Services Act 2013 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 MFRS 124. The Board has set a more stringent requirement, in 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.

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 the Management Committee, Group Actuarial and Shariah Committee. All new products launched in 2015 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 a quarterly basis.

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)

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.

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.

Regulatory breaches are consolidated on a quarterly basis and updated to the Board Risk Committee on bi-monthly basis. The operational incident reporting has enabled the Company to take appropriate corrective actions and there is a process in place to collate statistics of Key Risk Indicators for BNM reporting on a regular basis through Operational Risk Integrated Online Network (ORION).

The disclosures of the Company's risk management policies are set out under Note 30 in the Company's financial statements

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.

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)

Internal Audit

The Company utilises the outsourced services of the Internal Audit Department of outsources its internal audit function to Great Eastern Life Assurance (Malaysia) Berhad, which assists the Audit Committee in discharging its duties and responsibilities. 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.

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.greateastertakaful.com.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

PART E. PUBLIC ACCOUNTABILITY (CONTINUED)

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

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 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

PART E. PUBLIC ACCOUNTABILITY (CONTINUED)

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 posted on the Company's website.

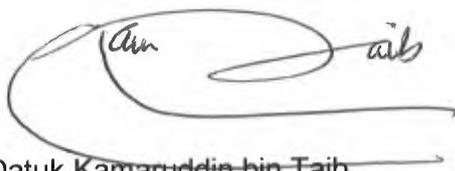
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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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 149 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 2015 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 3 February 2016.



Datuk Kamaruddin bin Taib



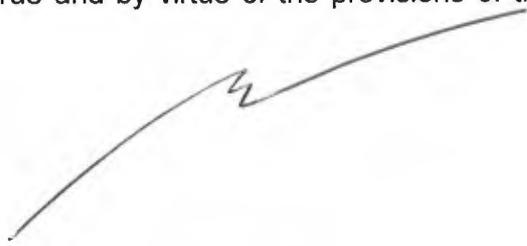
Dato Koh Yaw Hui

Kuala Lumpur

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

I, Rasman Abdul Ghani, 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 149 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
Rasman Abdul Ghani at Kuala Lumpur
in the Federal Territory
on 3 February 2016



Rasman Abdul Ghani

Before me,



NO. 57-2, JALAN WANGSA DELIMA 5
PUSAT BANDAR WANGSA MAJU (KLSC)
53300 KUALA LUMPUR

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:

Assoc. Prof. Dr. Ahmad Basri Ibrahim
Prof. Dato' Dr. Wan Sabri Wan Yusof
Dr. Akhtarzaite Abdul Aziz
Dr. Mohamad Sabri Zakaria
Assoc. Prof. Dr. Mahamad Arifin
Assoc. Prof. Dr. Siti Salwani Razali

The Shariah Committee meets at minimum six times a year. In 2015, the Shariah Committee met six times. The attendance of members at the Shariah Committee meetings is as follows:

Name	Number of meetings	
	Attended	Percentage (%)
Assoc. Prof. Dr. Ahmad Basri Ibrahim	6/6	100%
Prof. Dato' Dr. Wan Sabri Wan Yusof	5/6	83%
Dr. Akhtarzaite Abdul Aziz	5/6	83%
Dr. Mohamad Sabri Zakaria	5/6	83%
Assoc. Prof. Dr. Mahamad Arifin	5/6	83%
Assoc. Prof. Dr. Siti Salwani Razali	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 2015 to 31 December 2015. 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 and Shariah audit 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 2015 to 31 December 2015 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, Assoc. Prof. 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 2015 to 31 December 2015 were conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee.



Assoc. Prof. Dr. Ahmad Basri Ibrahim



Dr. Mohamad Sabri Zakaria

Kuala Lumpur

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 2015, 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 149.

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.

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 2015 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.

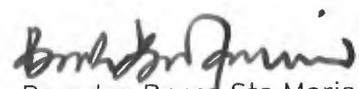
Reporting on other legal and regulatory requirements

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
AF: 0039
Chartered Accountants


Brandon Bruce Sta Maria
No. 2937/09/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
3 February 2016

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015			2014		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Assets							
Motor vehicle and equipment	4	7,988	-	7,988	6,272	6,272	
Intangible assets	5	3,247	-	3,247	4,324	4,324	
Investment assets:							
AFS financial assets	6(a)	67,829	135,309	198,397	63,654	136,963	
Financial assets at FVTPL	6(b)	-	81,948	81,948	-	63,577	
Loans and receivables	6(c)	750	69,080	69,830	9,200	77,930	
Takaful receivables	7	-	13,260	13,260	-	12,619	
Retakaful assets	8	-	57,626	57,626	-	33,250	
Other receivables	9	31,404	1,573	2,378	25,877	2,614	
Deferred tax asset	10	3,073	-	3,338	4,373	4,809	
Tax recoverable		-	364	364	-	21	
Cash and bank balances		2,116	6,247	8,363	2,350	10,352	
Total assets		116,407	365,407	446,739	116,050	352,731	
Equity							
Share capital	11	120,000	-	120,000	120,000	120,000	
Accumulated losses		(48,357)	-	(48,357)	(36,049)	(36,049)	
Available-for-sale reserves		1,150	-	313	738	(570)	
Total equity		72,793	-	71,956	84,689	83,381	
Liabilities and participants' fund							
Provision for zakat	12	57	-	57	75	75	
Expense liabilities	13	12,567	-	12,567	7,011	7,011	
Takaful certificate liabilities	14	-	259,462	309,690	-	214,468	
Participants' fund	14	-	53,867	-	-	-	
Deferred tax liability	10	-	471	471	-	3	
Amounts due to related companies	15	6,899	-	6,899	3,893	3,893	
Takaful payables	16	1,754	7,889	9,643	4,295	17,945	
Other payables	17	18,960	43,718	32,079	13,036	22,904	
Provisions	18	3,377	-	3,377	3,051	3,051	
Total liabilities and participants' fund		43,614	365,407	374,783	31,361	269,350	
Total equity, liabilities and participants' fund		116,407	365,407	446,739	116,050	352,731	

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 2015

	2015			2014		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000 (Restated - Note 2.3(b))	Family takaful fund RM'000 (Restated - Note 2.3(b))	Company RM'000
Wakalah fee income						
Gross earned contributions	97,041	-	-	98,848	-	-
Earned contributions ceded to retakaful operators	-	236,816	236,816	-	263,532	263,532
Net earned contributions	-	(33,104)	(33,104)	-	(41,114)	(41,114)
Investment income	-	203,712	203,712	-	222,418	222,418
Realised gains and losses	3,154	8,597	11,751	2,908	4,972	7,880
Fair value gains and losses	748	(1,916)	(2,218)	1,156	909	1,050
Fee and commission income	-	5,241	5,241	-	(2,962)	(2,962)
Other operating revenue	-	2,115	2,016	-	1,461	1,396
Other revenue	24	87	111	38	55	93
Gross benefits and claims paid	3,926	14,124	16,901	4,102	4,435	7,457
Claims ceded to retakaful operators	-	(66,611)	(62,185)	-	(52,554)	(49,554)
Gross change in certificate liabilities	-	26,036	26,036	-	33,130	33,130
Change in certificate liabilities ceded to retakaful operators	-	(73,601)	(93,214)	-	(83,723)	(102,887)
Net benefits and claims	-	24,376	24,376	-	1,522	1,522
Wakalah fee expense	-	(89,800)	(104,987)	-	(101,625)	(117,789)
Commission expenses/administration fees	-	(97,041)	-	-	(98,848)	-
Management expenses	(48,316)	(247)	(48,464)	(49,257)	(34)	(49,226)
Change in expense liabilities	(69,582)	(1,516)	(71,098)	(58,482)	(8)	(58,490)
Impairment loss on AFS investment assets	(5,556)	-	(5,556)	(252)	-	(252)
Taxation of family takaful business	(64)	(875)	(939)	-	-	-
Other expenses	(123,518)	(624)	(126,681)	(107,991)	157	157
Operating (loss)/profit before surplus transfers	(22,551)	(100,303)	(126,681)	(5,041)	(98,733)	(107,811)
Surplus attributable to participants	27,733	27,733	(11,055)	(5,041)	26,495	4,275
Surplus attributable to shareholders	(16,237)	(16,237)	-	(17,179)	(17,179)	-
(Loss)/profit before zakat and taxation	11,496	(11,496)	-	9,316	(9,316)	-
Zakat	(11,055)	-	(11,055)	4,275	-	4,275
Taxation	(70)	-	(70)	(75)	-	(75)
Net (loss)/profit for the year	(1,183)	-	(1,183)	(1,900)	-	(1,900)
(Loss)/profit per share (sen)	(12,308)	-	(12,308)	2,300	-	2,300
Basic and diluted	(12.3)	-	(12.3)	2.3	-	2.3

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 2015

	Note	2015			2014		
		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 (loss)/profit for the year		(12,308)	-	(12,308)	2,300	-	2,300
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		(282)	997	2,354	(2,586)	(440)	(1,226)
Realised profit/(loss) transferred to the income statement	21	748	188	(114)	1,156	(80)	61
Cumulative loss transferred to the income statement		64	875	939	-	-	-
Deferred tax relating to components of other comprehensive income	10	(117)	(52)	(288)	357	41	171
Other comprehensive (loss)/income attributable to participants	14	-	(2,008)	(2,008)	-	479	479
Other comprehensive income/(loss) for the year, net of tax		413	-	883	(1,073)	-	(515)
Total comprehensive (loss)/income for the year		(11,895)	-	(11,425)	1,227	-	1,785

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 2015

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
At 1 January 2014	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
At 31 December 2014	<u>120,000</u>	<u>(570)</u>	<u>(36,049)</u>	<u>83,381</u>
At 1 January 2015	120,000	(570)	(36,049)	83,381
Net loss for the year	-	-	(12,308)	(12,308)
Other comprehensive income	-	883	-	883
Total comprehensive income/ (loss)	-	883	(12,308)	(11,425)
At 31 December 2015	<u>120,000</u>	<u>313</u>	<u>(48,357)</u>	<u>71,956</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 2015

	Note	2015 RM'000	2014 RM'000
OPERATING ACTIVITIES			
(Loss)/profit before zakat and taxation		(11,055)	4,275
Adjustments for:			
Depreciation for motor vehicle and equipment	4, 24	2,147	985
Amortisation of intangible assets	5, 24	1,485	1,475
Investment income	20	(11,751)	(7,880)
Realised gains and losses	21	2,218	(1,050)
Fair value gains and losses	22	(5,241)	2,962
Write off of motor vehicle and equipment	4, 24	225	-
Operating (loss)/gain before working capital changes		(21,972)	767
Purchase of investment assets		(72,956)	(53,936)
Increase in takaful certificate liabilities		90,462	100,745
Increase in retakaful assets		(24,376)	(1,522)
Decrease/(increase) in other receivables		215	(6,983)
Increase/(decrease) in other payables		6,755	(3,407)
Net change in balance with related companies		3,006	(311)
Cash (used in)/generated from operating activities		(18,866)	35,353
Income tax paid		(551)	(451)
Zakat paid		(88)	-
Investment income received		8,912	8,674
Net cash (used in)/generated from operating activities		(10,593)	43,576
INVESTING ACTIVITIES			
Purchase of motor vehicle and equipment	4	(4,088)	(2,726)
Purchase of intangible assets	5	(408)	(245)
Net cash used in investing activities		(4,496)	(2,971)
Net (decrease)/increase in cash and cash equivalents		(15,089)	40,605
Cash and cash equivalents at beginning of year		88,282	47,677
Cash and cash equivalents at end of year		73,193	88,282
Cash and cash equivalents comprise of:			
Cash and bank balances		8,363	10,352
Short term Islamic investment accounts with maturity period of less than 3 months	6(c)	64,830	77,930
		<u>73,193</u>	<u>88,282</u>

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 2015

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 3 February 2016.

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 amended MFRSs 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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.

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 - 20%
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.

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.

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)

(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
(Incorporated in Malaysia)

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
(Incorporated in Malaysia)

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
(Incorporated in Malaysia)

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 i.e. quoted Shariah-approved equities and financial instruments with embedded derivatives 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.

For financial instruments where there is no active market such as Islamic private debt securities and government investment issues, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

For unquoted and unrated Islamic private debt securities, the unrated Islamic private debt securities are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative yields for a Islamic private debt securities with similar rating and tenure.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value measurement (Continued)

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.

(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 quarterly.

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.

GREAT EASTERN TAKAFUL BERHAD
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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.

GREAT EASTERN TAKAFUL BERHAD
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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.

GREAT EASTERN TAKAFUL BERHAD
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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 by net cashflows in the family takaful fund and distributed in accordance with the terms and conditions prescribed by the Shariah Committee and in compliance with the BNM Takaful Operational Framework Guidelines.

GREAT EASTERN TAKAFUL BERHAD
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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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Family takaful fund (Continued)

(iv) Actuarial liabilities

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. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

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.

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.

(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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Product classification (Continued)

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.

GREAT EASTERN TAKAFUL BERHAD
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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 retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

Every quarter, 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.

GREAT EASTERN TAKAFUL BERHAD
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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.

Dividend income

Dividend is recognised when the right to receive payment is established.

(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, management expenses and other charges

In accordance with the principles of wakalah, as approved by the Shariah Committee of the Company and agreed between the participants and the Company, wakalah fee will be charged by the shareholders' fund for the underwriting and management of the services provided to participants.

Wakalah fees include upfront fees, risk management charges and fund management and service charges as described in the certificate with the participants of the Company. The components of wakalah fee are disclosed in Note 19.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Shareholders' fund (Continued)

(i) Wakalah fees, commission expenses, management expenses and other charges (Continued)

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.

(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 broadly 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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Shareholders' fund (Continued)

(ii) Expense liabilities (Continued)

Liability adequacy test (Continued)

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.

(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 RM3.03.

(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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Equity instruments (Continued)

Redeemable preference shares

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.

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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Goods and Service Tax ("GST")

GST, a multistage consumption tax on domestic consumption was implemented nationwide on 1 April 2015.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the balance sheet.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Amended standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2015.

1. Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
2. Annual Improvements 2010-2012 Cycle
3. Annual Improvements 2011-2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Company.

(b) Reclassification of comparative to conform with current year presentation

Reclassification of risk management charges, fund management charges and service charges as part of wakalah fees

In prior years, the shareholders' fund reported the risk management charges, fund management charges and service charges as 'fee and commission income' in the income statement of the shareholders' fund. Whereas in the family takaful fund, the risk management charges and fund management charges were reported under 'commission expenses/administration fees' and the service charges reported under 'management expenses'.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Reclassification of comparative to conform with current year presentation (Continued)

Reclassification of risk management charges, fund management charges and service charges as part of wakalah fees (Continued)

During the current financial year, improvements were made to the presentation of risk management charges, fund management charges and service charges by retrospectively reporting these under 'wakalah fee income' in shareholders' fund and 'wakalah fee expense' in family takaful fund in the income statement. This reclassification is consistent with the certificate terms and as approved by the Company's Shariah Committee.

The effects of the change in presentation described above on the relevant income statement line items for the year ended 31 December 2014 of the shareholders' fund and family takaful fund are as follows:

31 December 2014	As previously stated	Reclassifi- cation	As restated
Shareholders' fund	RM'000	RM'000	RM'000
Wakalah fee income	94,189	4,659	98,848
Fee and commission income	4,659	(4,659)	-
31 December 2014	As previously stated	Reclassifi- cation	As restated
Family takaful fund	RM'000	RM'000	RM'000
Wakalah fee expense	(94,189)	(4,659)	(98,848)
Commission expenses/ administration fees	(4,177)	4,143	(34)
Management expenses	(524)	516	(8)

The above reclassification does not have any impact on the statements of financial position, statements of comprehensive income, statement of changes in equity and statement of cash flows of the Company, shareholders' fund and family takaful fund. Further, the income statement of the Company was not affected by the said reclassification.

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

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE

The following are standards and annual improvements to standards issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intend to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for financial period beginning on or after
<ul style="list-style-type: none"> ● Annual Improvements to MFRSs 2012 – 2014 Cycle 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 	Deferred
<ul style="list-style-type: none"> ● Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 127: Equity Method in Separate Financial Statements 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 101: Disclosure Initiatives 	1 January 2016
<ul style="list-style-type: none"> ● Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception 	1 January 2016
<ul style="list-style-type: none"> ● MFRS 14 Regulatory Deferral Accounts 	1 January 2016
<ul style="list-style-type: none"> ● MFRS 15 Revenue from Contracts with Customers 	1 January 2018
<ul style="list-style-type: none"> ● MFRS 9 Financial Instruments 	1 January 2018

The Directors expect that the adoption of the above standards and annual improvements will have no material impact on the financial statements in the period of initial application except as discussed below:

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

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)

MFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity (“HTM”) and available-for-sale (“AFS”) asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income (“FVOCI”) is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in ‘own credit risk’ for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

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

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)

MFRS 9 Financial Instruments (Continued)

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. MFRS 9 will change the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

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.

GREAT EASTERN TAKAFUL BERHAD
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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

(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.

(b) Impairment of receivables (Note 7 and 9)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Takaful Operators (BNM/RH/STD033-5). According to the guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment if past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement immediately.

(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.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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.

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, surrenders, lapses, contribution holidays and expenses in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths and event when disability occurs according to retakaful rates.

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.

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>	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Work-in- progress RM'000	Total RM'000
2015					
Cost					
At 1 January 2015	336	1,304	4,720	2,411	8,771
Additions	178	2,073	1,002	835	4,088
Transfer	-	3,087	5	(3,092)	-
Write-off	-	-	(544)	-	(544)
At 31 December 2015	<u>514</u>	<u>6,464</u>	<u>5,183</u>	<u>154</u>	<u>12,315</u>
Accumulated depreciation					
At 1 January 2015	(123)	(550)	(1,826)	-	(2,499)
Charge for the year	(100)	(1,301)	(746)	-	(2,147)
Write-off	-	-	319	-	319
At 31 December 2015	<u>(223)</u>	<u>(1,851)</u>	<u>(2,253)</u>	<u>-</u>	<u>(4,327)</u>
Net book value					
At 31 December 2015	<u>291</u>	<u>4,613</u>	<u>2,930</u>	<u>154</u>	<u>7,988</u>
2014					
Cost					
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>
Accumulated depreciation					
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>
Net book value					
At 31 December 2014	<u>213</u>	<u>754</u>	<u>2,894</u>	<u>2,411</u>	<u>6,272</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
2015			
Cost			
At 1 January 2015	1,198	6,000	7,198
Additions	408	-	408
At 31 December 2015	<u>1,606</u>	<u>6,000</u>	<u>7,606</u>
Accumulated amortisation			
At 1 January 2015	(674)	(2,200)	(2,874)
Charge for the year	(285)	(1,200)	(1,485)
At 31 December 2015	<u>(959)</u>	<u>(3,400)</u>	<u>(4,359)</u>
Net book value			
At 31 December 2015	<u>647</u>	<u>2,600</u>	<u>3,247</u>
2014			
Cost			
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>
Accumulated amortisation			
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>
Net book value			
At 31 December 2014	<u>524</u>	<u>3,800</u>	<u>4,324</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

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Quoted Shariah-approved equities	5,992	23,098	29,090
Unit trusts - REITS	438	877	1,315
Government investment issues	22,016	49,043	71,059
Islamic private debt securities	34,642	62,291	96,933
Units held in investment-linked fund	4,741	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	45,247	45,247
Financial instruments with embedded derivatives	-	24	24
Unit trusts - REITS	-	353	353
Government investment issues	-	14,745	14,745
Islamic private debt securities	-	21,579	21,579
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	750	69,080	69,830
	<u>68,579</u>	<u>286,337</u>	<u>350,175</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))	67,829	135,309	198,397
Financial assets at FVTPL (Note 6(b))	-	81,948	81,948
Loans and receivables (Note 6(c))	750	69,080	69,830
	<u>68,579</u>	<u>286,337</u>	<u>350,175</u>

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6. INVESTMENT ASSETS (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
	<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>

(a) AFS financial assets

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At cost:			
Quoted Shariah-approved equities	5,558	22,110	27,668
Unit trusts - REITS	442	886	1,328
Government investment issues	22,255	49,042	71,297
Islamic private debt securities	34,421	61,751	96,172
Units held in investment-linked fund	3,639	-	-
	<u>66,315</u>	<u>133,789</u>	<u>196,465</u>

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6. INVESTMENT ASSETS (CONTINUED)

(a) AFS financial assets (Continued)

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At fair value:			
Quoted Shariah-approved equities	5,992	23,098	29,090
Unit trusts - REITS	438	877	1,315
Government investment issues	22,016	49,043	71,059
Islamic private debt securities	34,642	62,291	96,933
Units held in investment-linked fund	4,741	-	-
	<u>67,829</u>	<u>135,309</u>	<u>198,397</u>
2014			
At cost:			
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>
At fair value:			
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>

During the year, the shareholders' and family takaful funds and the Company recognised impairment losses on quoted Shariah-approved equities amounting to RM64,000, RM875,000 and RM939,000 respectively, in accordance with the policy adopted in Note 2.2(h).

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6. INVESTMENT ASSETS (CONTINUED)

(b) Financial assets at FVTPL

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At cost:			
Quoted Shariah-approved equities	-	40,137	40,137
Unit trusts - REITS	-	349	349
Government investment issues	-	14,810	14,810
Islamic private debt securities	-	21,471	21,471
	<u>-</u>	<u>76,767</u>	<u>76,767</u>
At fair value:			
Quoted Shariah-approved equities	-	45,247	45,247
Financial instruments with embedded derivatives	-	24	24
Unit trusts - REITS	-	353	353
Government investment issues	-	14,745	14,745
Islamic private debt securities	-	21,579	21,579
	<u>-</u>	<u>81,948</u>	<u>81,948</u>
2014			
At cost:			
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>
At fair value:			
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>

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6. INVESTMENT ASSETS (CONTINUED)

(c) Loans and receivables

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At amortised cost/fair value:			
Islamic investment accounts with licensed Islamic banks	750	69,080	69,830
	<u>750</u>	<u>69,080</u>	<u>69,830</u>
2014			
At amortised cost/fair value:			
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>

Included in Islamic investment accounts with licensed Islamic banks of the Company, are short term Islamic investment accounts with original maturity periods of less than 3 months amounting to RM64,830,000 (2014: RM77,930,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

The carrying value of the Islamic investment accounts with licensed Islamic banks approximates fair value due to the relatively short term maturities.

7. TAKAFUL RECEIVABLES

<u>Family takaful fund/Company</u>	2015 RM'000	2014 RM'000
Contributions due from agents, other intermediaries and a corporate shareholder	8,340	4,910
Amount due from retakaful operators	3,521	2,791
Amount due from cotakaful operators	1,399	4,918
	<u>13,260</u>	<u>12,619</u>

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7. TAKAFUL RECEIVABLES (CONTINUED)

Included in the takaful receivables is an amount of RM8.3 million (2014: RM4.7 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.

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

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

31 December 2015			
Description	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	(20)	-	(20)
Claims recoveries	-	2,678	2,678
Surplus sharing	-	863	863
	<u>(20)</u>	<u>3,541</u>	<u>3,521</u>
31 December 2014			
Description	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>

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8. RETAKAFUL ASSETS

<u>Family takaful fund/Company</u>	2015 RM'000	2014 RM'000
Retakaful of takaful contracts (Note 13)	57,626	33,250

9. OTHER RECEIVABLES

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Profit due and accrued	499	1,530	2,029
Other receivables and deposits	306	43	349
Amounts due from family takaful fund (Note 17)	30,599	-	-
	31,404	1,573	2,378
2014			
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	-	-
	25,877	1,326	2,614

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>	2015 RM'000	2014 RM'000
At beginning of year	4,373	5,916
Recognised in other comprehensive income	(117)	357
Recognised in income statement (Note 25(b))	(1,183)	(1,900)
At end of year	3,073	4,373

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

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

	← (Liability)/Asset →		
	AFS reserves RM'000	Unutilised tax losses RM'000	Total RM'000
<u>Shareholders' fund</u>			
2015			
At 1 January 2015	(246)	4,619	4,373
Recognised in other comprehensive income	(117)	-	(117)
Recognised in income statement	-	(1,183)	(1,183)
At 31 December 2015	<u>(363)</u>	<u>3,436</u>	<u>3,073</u>
2014			
At 1 January 2014	(603)	6,519	5,916
Recognised in other comprehensive income	357	-	357
Recognised in income statement	-	(1,900)	(1,900)
At 31 December 2014	<u>(246)</u>	<u>4,619</u>	<u>4,373</u>

Deferred tax asset and liability 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.

	2015 RM'000	2014 RM'000
<u>Family takaful fund/Company</u>		
At beginning of year	(3)	(320)
Recognised in other comprehensive income	(52)	41
Recognised in income statement (Note 25(a))	(416)	276
At end of year	<u>(471)</u>	<u>(3)</u>

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

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

	← Asset/(Liability) →		
	AFS reserves RM'000	FVTPL financial assets RM'000	Total RM'000
<u>Family takaful fund/Company</u>			
2015			
At 1 January 2015	47	(50)	(3)
Recognised in other comprehensive income	(52)	-	(52)
Recognised in income statement	-	(416)	(416)
At 31 December 2015	<u>(5)</u>	<u>(466)</u>	<u>(471)</u>
2014			
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>

Deferred tax asset and liability 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.

	2015 RM'000	2014 RM'000
<u>Company</u>		
At beginning of year	4,809	6,538
Recognised in other comprehensive income	(288)	171
Recognised in income statement (Note 25(b))	<u>(1,183)</u>	<u>(1,900)</u>
At end of year	<u>3,338</u>	<u>4,809</u>

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

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

<u>Company</u>	← (Liability)/Asset →		
	AFS reserves RM'000	Unutilised tax losses RM'000	Total RM'000
2015			
At 1 January 2015	190	4,619	4,809
Recognised in other comprehensive income	(288)	-	(288)
Recognised in income statement	-	(1,183)	(1,183)
At 31 December 2015	<u>(98)</u>	<u>3,436</u>	<u>3,338</u>
2014			
At 1 January 2014	19	6,519	6,538
Recognised in other comprehensive income	171	-	171
Recognised in income statement	-	(1,900)	(1,900)
At 31 December 2014	<u>190</u>	<u>4,619</u>	<u>4,809</u>

Deferred tax asset and liability 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.

11. SHARE CAPITAL

<u>Shareholders' fund/Company</u>	No. of shares of RM1 each '000	Amount RM'000
2015		
Authorised:		
Ordinary shares of RM1 each:		
At 1 January 2015/31 December 2015	<u>180,000</u>	<u>180,000</u>
Redeemable preference shares of RM1 each:		
At 1 January 2015/31 December 2015	<u>20,000</u>	<u>20,000</u>
At 31 December 2015	<u>200,000</u>	<u>200,000</u>

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11. SHARE CAPITAL (CONTINUED)

<u>Shareholders' fund/Company</u>	No. of shares of RM1 each '000	Amount RM'000
At 31 December 2014		
<u>Issued and paid-up:</u>		
Ordinary shares of RM1 each:		
At 1 January 2015/31 December 2015	100,000	100,000
Redeemable preference shares of RM1 each:		
At 1 January 2015/31 December 2015	20,000	20,000
At 31 December 2015	120,000	120,000
2014		
<u>Authorised:</u>		
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
<u>Issued and paid-up:</u>		
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

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;

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11. SHARE CAPITAL (CONTINUED)

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

- (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>	2015 RM'000	2014 RM'000
Provision for expense liabilities	10,777	5,676
Provision for expense over-run	1,790	1,335
	<u>12,567</u>	<u>7,011</u>
At beginning of the year	7,011	6,759
Change in expense liabilities	5,101	2,588
Expense over-run reserves	455	(2,336)
	<u>5,556</u>	<u>252</u>
	<u>12,567</u>	<u>7,011</u>

The expense liabilities are set aside as a provision, as determined by the Appointed Actuary, in the Shareholders' fund. The total reserves amount in the Shareholders' fund 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
2015			
Provision for outstanding claims reported by certificate holders	12,226	(9,875)	2,351
Participants' risk fund ("PRF")	62,502	(47,751)	14,751
Participants' investment account ("PIA")	107,142	-	107,142
Net asset value attributable to certificate holders	77,592	-	77,592
	<u>259,462</u>	<u>(57,626)</u>	<u>201,836</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 2015	185,861	(33,250)	152,611
Benefits intimated during the year	66,541	(25,196)	41,345
Benefits paid during the year	(66,611)	26,036	(40,575)
Increase in actuarial liabilities due to:			
Portfolio movements	55,960	(8,439)	47,521
Change in assumptions and basis	17,711	(16,777)	934
At 31 December 2015	<u>259,462</u>	<u>(57,626)</u>	<u>201,836</u>

<u>Family takaful fund</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
2014			
Provision for outstanding claims reported by certificate holders	12,296	(10,715)	1,581
Participants' risk fund ("PRF")	31,209	(22,535)	8,674
Participants' investment account ("PIA")	74,907	-	74,907
Net asset value attributable to certificate holders	67,449	-	67,449
	<u>185,861</u>	<u>(33,250)</u>	<u>152,611</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:

	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:			
Portfolio movements	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>Company</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
2015			
Provision for outstanding claims reported by certificate holders	12,226	(9,875)	2,351
Participants' risk fund ("PRF")	62,502	(47,751)	14,751
Participants' investment account ("PIA")	107,142	-	107,142
Net asset value attributable to certificate holders	75,003	-	75,003
Unallocated surplus	51,349	-	51,349
Available-for-sale fair value reserves	1,468	-	1,468
	<u>309,690</u>	<u>(57,626)</u>	<u>252,064</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 2015	214,468	(33,250)	181,218
Benefits intimated during the year	66,541	(25,196)	41,345
Benefits paid during the year	(62,185)	26,036	(36,149)
Increase in actuarial liabilities due to:			
Portfolio movements	55,960	(8,439)	47,521
Change in assumptions and basis	17,711	(16,777)	934
Surplus arising for the year	15,187	-	15,187
AFS fair value gain for the year	2,060	-	2,060
Deferred tax relating to AFS fair value gain	(52)	-	(52)
At 31 December 2015	<u>309,690</u>	<u>(57,626)</u>	<u>252,064</u>

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13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

<u>Company (Continued)</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
2014			
Provision for outstanding claims reported by certificate holders	12,296	(10,715)	1,581
Participants' risk fund ("PRF")	31,209	(22,535)	8,674
Participants' investment account ("PIA")	74,907	-	74,907
Net asset value attributable to certificate holders	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:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
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:			
Portfolio movements	81,923	(233)	81,690
Change in assumptions and basis	4,325	(2,378)	1,947
Surplus arising 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>

14. PARTICIPANTS' FUND

<u>Family takaful fund</u>	2015 RM'000	2014 RM'000
Accumulated surplus (Note (i))	52,399	36,162
AFS reserves (Note (ii))	1,468	(540)
	<u>53,867</u>	<u>35,622</u>

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14. PARTICIPANTS' FUND (CONTINUED)

<u>Family takaful fund (Continued)</u>	2015 RM'000	2014 RM'000
(i) Accumulated surplus:		
At beginning of the year	36,162	18,983
Surplus arising for the year	16,237	17,179
At end of the year	<u>52,399</u>	<u>36,162</u>
(ii) AFS reserves:		
At beginning of the year	(540)	(61)
Net gain/(loss) recognised during the year	2,008	(479)
At end of the year	<u>1,468</u>	<u>(540)</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

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Due to clients, agents and other intermediaries	1,753	-	1,753
Amount due to cotakaful operators	1	-	1
Amount due to retakaful operators	-	7,889	7,889
	<u>1,754</u>	<u>7,889</u>	<u>9,643</u>
2014			
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>

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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16. TAKAFUL PAYABLES (CONTINUED)

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
31 December 2015			
Retakaful contributions	22,785	-	22,785
Claims recoveries	-	(14,639)	(14,639)
Commissions	-	(257)	(257)
	<u>22,785</u>	<u>(14,896)</u>	<u>7,889</u>
31 December 2014			
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>

17. OTHER PAYABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2015			
Deposit contributions	-	7,630	7,630
Amount due to shareholders' fund* (Note 9)	-	30,599	-
Accruals	6,586	-	6,586
Other payables and sundry creditors	12,374	5,489	17,863
	<u>18,960</u>	<u>43,718</u>	<u>32,079</u>
2014			
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>

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

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18. PROVISIONS

<u>Shareholders' fund/Company</u>	2015 RM'000	2014 RM'000
Provision for bonus	3,153	2,862
Provision for short-term accumulating compensated absences	224	189
	<u>3,377</u>	<u>3,051</u>

19. WAKALAH FEE INCOME

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Upfront fee	91,051	-	-
Risk management charges	1,138	-	-
Fund management and service charges	4,852	-	-
	<u>97,041</u>	<u>-</u>	<u>-</u>
2014 (restated)			
Upfront fee	94,189	-	-
Risk management charges	1,209	-	-
Fund management and service charges	3,450	-	-
	<u>98,848</u>	<u>-</u>	<u>-</u>

20. INVESTMENT INCOME

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Profit income	2,624	3,614	6,238
Dividend income	258	659	917
Net (amortisation)/accretion	(19)	152	133
Financial assets at FVTPL:			
Profit income	-	1,242	1,242
Dividend income	-	1,180	1,180
Net accretion	-	8	8
Loans and receivables profit income	299	2,075	2,353
Investment expenses	(8)	(333)	(320)
	<u>3,154</u>	<u>8,597</u>	<u>11,751</u>

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20. INVESTMENT INCOME (CONTINUED)

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
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>

21. REALISED GAINS AND LOSSES

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Realised (losses)/gains:			
Shariah-approved equities			
- quoted in Malaysia	(189)	(645)	(834)
Financial instruments with embedded derivatives	10	22	32
Government investment issues			
- quoted in Malaysia	(72)	214	142
Islamic private debt securities			
- unquoted in Malaysia	(51)	597	546
Units held in investment-linked fund	1,050	-	-
Total realised gains/(losses) for AFS financial assets	<u>748</u>	<u>188</u>	<u>(114)</u>

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21. REALISED GAINS AND LOSSES (CONTINUED)

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL:			
Realised (losses)/gains:			
Shariah-approved equities			
- quoted in Malaysia	-	(2,403)	(2,403)
Financial instruments with embedded derivatives	-	61	61
Unit trusts - REITS	-	6	6
Government investment issues			
- quoted in Malaysia	-	(81)	(81)
Islamic private debt securities			
- unquoted in Malaysia	-	313	313
Total realised losses for financial assets at FVTPL	-	(2,104)	(2,104)
	748	(1,916)	(2,218)
	Shareholders'	Family	Company
2014	fund	takaful fund	RM'000
	RM'000	RM'000	RM'000
AFS financial assets:			
Realised gains/(losses):			
Shariah-approved equities			
- quoted in Malaysia	406	111	517
Unit trusts - REITS			
Government investment issues	(300)	(316)	(616)
- quoted in Malaysia			
Islamic private debt securities	35	125	160
- unquoted in Malaysia	1,015	-	-
Total realised gains/(losses) for AFS financial assets	1,156	(80)	61

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21. REALISED GAINS AND LOSSES (CONTINUED)

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL:			
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
Total realised gains for financial assets at FVTPL	<u>-</u>	<u>989</u>	<u>989</u>
	<u>1,156</u>	<u>909</u>	<u>1,050</u>

22. FAIR VALUE GAINS AND LOSSES

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL	-	5,241	5,241
	<u>-</u>	<u>5,241</u>	<u>5,241</u>
2014			
Financial assets at FVTPL	-	(2,962)	(2,962)
	<u>-</u>	<u>(2,962)</u>	<u>(2,962)</u>

23. WAKALAH FEE EXPENSE

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Upfront fee	-	91,051	-
Risk management charges	-	1,138	-
Fund management and service charges	-	4,852	-
	<u>-</u>	<u>97,041</u>	<u>-</u>

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23. WAKALAH FEE EXPENSE (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2014 (restated)			
Upfront fee	-	94,189	-
Risk management charges	-	1,209	-
Fund management and service charges	-	3,450	-
	<u>-</u>	<u>98,848</u>	<u>-</u>

24. MANAGEMENT EXPENSES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2015			
Staff costs:			
Salaries, bonus and other related costs	17,561	-	17,561
Pension costs - EPF	2,493	-	2,493
Social security costs	102	-	102
Short-term accumulating compensated absences	37	-	37
	<u>20,193</u>	<u>-</u>	<u>20,193</u>
Non-executive directors' remuneration (Note 24(b))	382	-	382
Shariah committee members' remuneration (Note 24(c))	231	-	231
Auditors' remuneration:			
- statutory audit	168	-	168
- regulatory related fees	31	8	39
- other services	17	-	17
Agency related expenses	13,672	-	13,672
Advertising and marketing expenses	6,605	4	6,609
Rental of properties	1,408	-	1,408
Rental of equipment	134	-	134
Depreciation of motor vehicle and equipment	2,147	-	2,147
Amortisation of intangible assets	1,485	-	1,485
Write-off of motor vehicle and equipment	225	-	225
Marketing and communication	2,239	-	2,239
Electronic data processing	1,600	-	1,600
Management fees	6,539	-	6,539
Shared services charges	8,758	-	8,758
Other expenses	3,748	1,504	5,252
	<u>69,582</u>	<u>1,516</u>	<u>71,098</u>

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24. MANAGEMENT EXPENSES (CONTINUED)

2014	Shareholders' fund (restated) RM'000	Family takaful fund (restated) RM'000	Company (restated) 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	-	5,691
Rental of properties	1,421	-	1,421
Rental of equipment	121	-	121
Depreciation of motor vehicle 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>8</u>	<u>58,490</u>

(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:

	2015 RM'000	2014 RM'000
Salaries and bonus	597	592
Pension costs - EPF	94	95
Others	25	25
	<u>716</u>	<u>712</u>

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24. MANAGEMENT EXPENSES (CONTINUED)

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

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer, amounted to approximately RM716,160 (2014: RM711,740).

(b) Non-executive directors' remuneration:

<u>Shareholders' fund/Company</u>	2015 RM'000	2014 RM'000
Non-executive directors' remuneration:		
<u>Fees:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	121	109
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	46	43
Tuan Haji Jamaluddin bin Masrin	45	45
Mr Norman Ip Ka Cheung	50	23
<u>Former directors:</u>		
Mrs Fang Ai Lian (nee Ho Ai Lian)	-	18
Tan Sri Dato' Nasrudin bin Bahari	-	11
	262	249
<u>Allowances:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	30	40
Mejar Jeneral (B) Dato' Paduka Che Hasni bin Che Ahmad	28	38
Tuan Haji Jamaluddin bin Masrin	34	39
Mr Norman Ip Ka Cheung	28	15
<u>Former directors:</u>		
Mrs Fang Ai Lian (nee Ho Ai Lian)	-	10
Tan Sri Dato' Nasrudin bin Bahari	-	5
	120	147
	382	396

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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>	2015	2014
Non-Executive directors		
Below RM50,000	-	3
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	1	1
	<hr/>	<hr/>

(c) Shariah Committee Members' remuneration:

<u>Shareholders' fund/Company</u>	2015 RM'000	2014 RM'000
<u>Fees:</u>		
Assoc. Prof. Dr. Ahmad Basri Ibrahim	36	36
Prof. Dato' Dr. Wan Sabri Wan Yusof	30	30
Dr. Akhtarzaite Abdul Aziz	30	30
Dr. Mohamad Sabri Zakaria	30	30
Assoc. Prof. Dr. Mahamad Arifin	30	30
Assoc. Prof. Dr. Siti Salwani Razali	30	30
	<hr/>	<hr/>
	186	186
 <u>Other emoluments</u>		
Assoc. Prof. Dr. Ahmad Basri Ibrahim	8	6
Prof. Dato' Dr. Wan Sabri Wan Yusof	6	6
Dr. Akhtarzaite Abdul Aziz	8	5
Dr. Mohamad Sabri Zakaria	7	7
Assoc. Prof. Dr. Mahamad Arifin	8	7
Assoc. Prof. Dr. Siti Salwani Razali	8	6
	<hr/>	<hr/>
	45	37
	<hr/>	<hr/>
	231	223
	<hr/>	<hr/>

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25. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION

(a) <u>Family takaful fund/Company</u>	2015 RM'000	2014 RM'000
Malaysian income tax:		
Current year	181	286
Under/(over) provision in prior year	27	(167)
	208	119
Deferred tax relating to the origination and reversal of temporary differences (Note 10):		
Current year	431	(276)
Overprovision in prior years	(15)	-
	416	(276)
Tax expense/(credit) for the year	<u>624</u>	<u>(157)</u>

The Malaysian income tax of the family takaful fund is calculated at the preferential tax rate of 8% (2014: 8%) of taxable investment income for the year.

(b) <u>Shareholders' fund/Company</u>	2015 RM'000	2014 RM'000
Malaysian income tax:		
Current year	-	-
Deferred tax relating to the origination and reversal of temporary differences (Note 10) :		
Current year	3,931	2,060
Overprovision in prior year	(2,748)	(160)
	1,183	1,900
Tax expense for the year	<u>1,183</u>	<u>1,900</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. In 2016, the Malaysian statutory tax rate will be reduced to 24%.

A reconciliation of income tax expense applicable to (loss)/profit 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:

	2015 RM'000	2014 RM'000
(Loss)/profit before zakat and taxation	<u>(11,055)</u>	<u>4,275</u>
Taxation at Malaysian statutory tax rate of 25%	(2,764)	1,069
Expenses not deductible for tax purposes	30,812	991
Income not subject to tax	(24,260)	-
Overprovision of deferred tax in prior year	(2,748)	(160)
Effect due to change in tax rate	143	-
Tax expense for the year	<u>1,183</u>	<u>1,900</u>

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26. (LOSS)/PROFIT PER SHARE

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

<u>Shareholders' fund/Company</u>	2015	2014
Net (loss)/profit for the year (RM'000)	(12,308)	2,300
Number of ordinary shares in issue ('000)	100,000	100,000
Basic (loss)/profit per share (sen)	<u>(12.3)</u>	<u>2.3</u>

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share are not separately disclosed.

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

- (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:

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27. RELATED PARTY DISCLOSURES (CONTINUED)

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

<u>Company</u>	2015 RM'000	2014 RM'000
<u>(Expenses)/income:</u>		
Service charges (vi):		
- Koperasi Angkatan Tentera	(851)	(916)
Commission fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(1,157)	(1,712)
- Koperasi Angkatan Tentera	(3,295)	(3,053)
Custodian fees (ii):		
- OCBC Al-Amin Bank Berhad	(34)	(38)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(163)	(423)
Rental paid (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,269)	(1,061)
- Koperasi Angkatan Tentera	(40)	(39)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	1,041	719
Charges for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(8,973)	(8,817)
- I Great Capital Holdings Sdn Bhd	78	77
Charges for group services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,525)	(1,731)
- Great Eastern Life Assurance Co. Ltd.	(5,015)	(4,656)
Staff secondment charges (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,066)	(715)
Shariah Committee members' fees	(231)	(223)
Disposal of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	132,679	76,143
Purchase of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	(8,601)	(2,511)

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27. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Balances with related parties at year end:

	2015	2014
	RM'000	RM'000
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	6,867	9,078
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	42,980	27,700
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(5,026)	(2,406)
- Great Eastern Life Assurance Co. Ltd.	(1,887)	(1,500)
- I Great Capital Holdings Sdn Bhd	14	13
	<u>(6,899)</u>	<u>(3,893)</u>
Takaful receivables:		
- Koperasi Angkatan Tentera	<u>8,311</u>	<u>4,730</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, 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:

	2015 RM'000	2014 RM'000
Key management personnel's remuneration:		
Non-executive directors	382	396
Salaries and bonus	2,882	2,953
Pension costs - EPF	456	469
Benefits-in-kind	51	25
	<u>3,771</u>	<u>3,843</u>

28. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as prescribed under the RBCT is provided below:

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital			
Share capital	100,000	-	100,000
Accumulated losses	(48,357)	-	(48,357)
Valuation surplus maintained in the takaful funds	-	11,391	11,391
	<u>51,643</u>	<u>11,391</u>	<u>63,034</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	1,150	29	1,179
Redeemable preference shares	8,000	-	8,000
	<u>9,150</u>	<u>29</u>	<u>9,179</u>
Deductions			
Intangible assets	(3,247)	-	(3,247)
Deferred tax assets	(3,073)	(4)	(3,077)
	<u>(6,320)</u>	<u>(4)</u>	<u>(6,324)</u>
Capital Available	<u>54,473</u>	<u>11,416</u>	<u>65,889</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(8,179)	(8,179)
Total Capital Available	<u>54,473</u>	<u>3,237</u>	<u>57,710</u>

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28. REGULATORY CAPITAL REQUIREMENT (CONTINUED)

2014	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital			
Share capital	100,000	-	100,000
Accumulated losses	(36,049)	-	(36,049)
Valuation surplus maintained in the takaful funds	-	8,109	8,109
	<u>63,951</u>	<u>8,109</u>	<u>72,060</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	738	115	853
Redeemable preference shares	12,000	-	12,000
	<u>12,738</u>	<u>115</u>	<u>12,853</u>
Deductions			
Intangible assets	(4,324)	-	(4,324)
Deferred tax assets	(4,373)	-	(4,373)
	<u>(8,697)</u>	<u>-</u>	<u>(8,697)</u>
Capital Available	<u>67,992</u>	<u>8,224</u>	<u>76,216</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(4,165)	(4,165)
Total Capital Available	<u>67,992</u>	<u>4,059</u>	<u>72,051</u>

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29. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	AFS RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of	
					MFRS 139 RM'000	Total RM'000
Shareholders' fund						
2015						
Assets						
Motor vehicle and equipment	4	-	-	-	7,988	7,988
Intangible assets	5	-	-	-	3,247	3,247
Investment assets	6	67,829	750	68,579	-	68,579
Other receivables	9	-	31,404	31,404	-	31,404
Deferred tax asset	10	-	-	-	3,073	3,073
Cash and bank balances		-	2,116	2,116	-	2,116
Total assets		67,829	34,270	102,099	14,308	116,407
Liabilities						
Provision for zakat		-	-	-	57	57
Expense liabilities	12	-	-	-	12,567	12,567
Amounts due to related companies		-	6,899	6,899	-	6,899
Takaful payables	16	-	1,754	1,754	-	1,754
Other payables	17	-	18,960	18,960	-	18,960
Provisions	18	-	3,377	3,377	-	3,377
Total liabilities		-	30,990	30,990	12,624	43,614

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29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Shareholders' fund (Continued)</u>							
		Note	AFS RM'000	LAR RM'000	Sub- total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
2014							
Assets							
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 asset		10	-	-	-	4,373	4,373
Cash and bank balances			-	2,350	2,350	-	2,350
Total assets			63,654	37,427	101,081	14,969	116,050
Liabilities							
Provision for zakat		12	-	-	-	75	75
Expense liabilities			-	-	-	7,011	7,011
Amounts due to related companies		16	3,893	3,893	3,893	-	3,893
Takaful payables		17	4,295	4,295	4,295	-	4,295
Other payables		18	13,036	13,036	13,036	-	13,036
Provisions			3,051	3,051	3,051	-	3,051
Total liabilities			24,275	24,275	24,275	7,086	31,361

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29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Family takaful fund	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
2015							
Assets							
Investment assets	6	135,309	81,948	69,080	286,337	-	286,337
Takaful receivables	7	-	-	13,260	13,260	-	13,260
Retakaful assets	8	-	-	-	-	57,626	57,626
Other receivables	9	-	-	-	-	1,573	1,573
Tax recoverable	-	-	-	-	-	364	364
Cash and bank balances	-	-	-	6,247	6,247	-	6,247
Total assets		135,309	81,948	88,587	305,844	59,563	365,407
Liabilities							
Takaful certificate liabilities	13	-	-	-	-	259,462	259,462
Participants' fund	14	-	-	-	-	53,867	53,867
Deferred tax liability	10	-	-	-	-	471	471
Takaful payables	16	-	-	7,889	7,889	-	7,889
Other payables	17	-	-	43,718	43,718	-	43,718
Total liabilities		-	-	51,607	51,607	313,800	365,407

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29. FINANCIAL INSTRUMENTS BY CATEGORY (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
2014							
Assets							
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
Total assets		82,068	63,577	89,351	234,996	34,597	269,593
Liabilities							
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
Total liabilities		-	-	48,107	48,107	221,486	269,593

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29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company</u> 2015	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
Assets							
Motor vehicle and equipment	4	-	-	-	-	7,988	7,988
Intangible assets	5	-	-	-	-	3,247	3,247
Investment assets	6	198,397	81,948	69,830	350,175	-	350,175
Takaful receivables	7	-	-	13,260	13,260	-	13,260
Retakaful assets	8	-	-	-	-	57,626	57,626
Other receivables	9	-	-	-	-	2,378	2,378
Deferred tax asset	10	-	-	-	-	3,338	3,338
Tax recoverable	-	-	-	-	-	364	364
Cash and bank balances	-	-	-	8,363	8,363	-	8,363
Total assets		198,397	81,948	91,453	371,798	74,941	446,739
Liabilities							
Provision for zakat						57	57
Expense liabilities	12					12,567	12,567
Takaful certificate liabilities	13					309,690	309,690
Deferred tax liability	10					471	471
Amounts due to related companies	15					6,899	6,899
Takaful payables	16			9,643	9,643	-	9,643
Other payables	17			32,079	32,079	-	32,079
Provisions	18			3,377	3,377	-	3,377
Total liabilities				45,099	45,099	329,684	374,783

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29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company (Continued)</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
Assets							
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 asset	10	-	-	-	-	4,809	4,809
Tax recoverable	-	-	-	-	-	21	21
Cash and bank balances	-	-	-	10,352	10,352	-	10,352
Total assets		136,963	63,577	100,901	301,441	51,290	352,731
Liabilities							
Provision for taxation						75	75
Expense liabilities	12					7,011	7,011
Takaful certificate liabilities	13					214,468	214,468
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
Total liabilities				43,900	43,900	225,450	269,350

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30. RISK MANAGEMENT FRAMEWORK

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:

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

The Risk Management and Compliance Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Committee ("BRC") is constituted to provide the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the Chief Executive Officer and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")

The SMT is responsible for providing leadership, direction and oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet 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, i.e. Group standards and guidelines.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

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30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Governance framework (Continued)

On 1 March 2013, Bank Negara Malaysia (“BNM”) issued a policy document on Risk Governance which sets out a framework of principles on risk governance to guide the Board and SMT in performing their risk oversight function. The principles in this document are foundation for and complement other guidelines and sound practices papers issued by BNM on specific risks. Collectively, they reflect BNM’s supervisory expectations with regard to the Company’s risk management framework and practices, and form the basis for supervisory assessments performed by the BNM.

Regulatory framework

Operators have to comply with the Islamic Financial Services Act 2013 (“IFSA”) which came into force on 30 June 2013, and regulations as applicable, including guidelines on investment limits.

As the IFSA effectively serves to replace the Takaful Act (“TA”) 1984, the enforcement of the IFSA has a profound impact on the way the Company operates and it raises challenges to business departments to ensure compliance with the new regulatory requirements. In comparison with TA 1984, IFSA provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution's business or operations to manage risk and ensure good governance.

Notwithstanding the impact of IFSA on the Company’s overall operations and business conduct, the Company is in full compliance with the applicable provisions of the IFSA. The responsibility for the formulation, establishment and approval of the Company’s investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the certificateholders and shareholders.

Capital management framework

The Company’s capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet obligations to certificateholders and regulatory requirements and make strategic investments for business growth.

Under the Risk-Based Capital Framework for Takaful Operators (“RBCT”), the operator has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBCT regulated by Bank Negara Malaysia (BNM).

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30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital management framework (Continued)

The Company has taken the initiative to establish an Internal Capital Adequacy Assessment Process (“ICAAP”) Framework this year. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review. Capital management and planning policies were further developed and refined under the Framework to outline the approaches and principles under which the Company’s capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement was established to outline the Company’s capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company’s exposure to takaful and key financial risks and the objectives, policies and processes for the management of these risks. There has been no major change to the Company’s exposure to these takaful and key financial risks or the manner in which it manages and measures the risks.

31. TAKAFUL RISK

The principal activities of the Company is managing family takaful business including takaful investment-linked business.

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.

Takaful risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of takaful contracts. 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 assumptions affecting takaful risk include certificate lapses and certificate claims, such as mortality, morbidity and expenses.

The Company utilises retakaful to manage the mortality and morbidity risks. The Company’s retakaful management strategy and policy are reviewed annually by the SMT and BRC, and approved by the Board. Retakaful structures are set based on the type of risk.

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31. TAKAFUL RISK (CONTINUED)

Only retakaful operators meeting a minimum credit rating of S&P "A-", or its equivalent, are considered when deciding on which retakaful operator to reinsure the Company's risk. The combined paid-up capital and surplus of a retakaful operator should not less than US\$150 million. The only exception is in regard to required retakaful cessions made to the local national retakaful operators, if any. The Company shall not cede out risks to insurance or reinsurance companies, except in unavoidable cases. The Company limits its risk 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 experience of mortality, morbidity, lapses and surrenders, as well as expense to ensure that appropriate policies, guidelines and limits are put in place to manage these risks remain adequate and appropriate.

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.

Stress Testing ("ST") is performed twice a year. The purpose of the ST is to test the solvency of the Operator and Takaful funds under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

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>	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Family takaful plans	2,793	-	2,793
Investment-linked takaful plans	8,520	-	8,520
Credit takaful plans	499	-	499
Group credit takaful plans	755	-	755
	<u>12,567</u>	<u>-</u>	<u>12,567</u>
2014			
Family takaful plans	1,196	-	1,196
Investment-linked takaful plans	4,553	-	4,553
Credit takaful plans	278	-	278
Group credit takaful plans	984	-	984
	<u>7,011</u>	<u>-</u>	<u>7,011</u>

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31. TAKAFUL RISK (CONTINUED)

Concentration of by type of certificates (Continued)

<u>Family takaful fund - PRF, PIA and net asset value attributable to certificate holders</u>	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Family takaful plans	43,454	(29,271)	14,183
Investment-linked takaful plans	99,265	(14,554)	84,711
Credit takaful plans	17,661	(2,406)	15,255
Group credit takaful plans	102,966	(1,520)	101,446
Others	(16,110)	-	(16,110)
	<u>247,236</u>	<u>(47,751)</u>	<u>199,485</u>
2014			
Family takaful plans	17,169	(6,703)	10,466
Investment-linked takaful plans	88,978	(14,303)	74,675
Credit 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>

The sensitivity analysis below shows the impact of change in key parameters on the value of certificate liabilities, and hence on the income statement and shareholders' equity.

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	+25% for all future years

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31. TAKAFUL RISK (CONTINUED)

Sensitivity analysis (Continued)

The sensitivity analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus, (loss)/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 loss before taxation		Impact on equity* RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
		← Increase/(decrease) →		← Increase/(decrease) →		← (Decrease)/increase →		
Shareholders' fund - expense liabilities								
2015								
Scenario 1 - Mortality and major illness	+25%	155	155	155	155	155	155	(155)
Scenario 2 - Mortality and major illness	-25%	(184)	(184)	(184)	(184)	(184)	(184)	184
Scenario 3 - Health and disability	+25%	4,028	4,028	4,028	4,028	4,028	4,028	(4,028)
Scenario 4 - Health and disability	-25%	(1,290)	(1,290)	(1,290)	(1,290)	(1,290)	(1,290)	1,290
Scenario 5 - Lapse and surrender rates	+25%	(522)	(522)	(522)	(522)	(522)	(522)	522
Scenario 6 - Lapse and surrender rates	-25%	635	635	635	635	635	635	(635)
Scenario 7 - Expenses	+25%	7,154	7,154	7,154	7,154	7,154	7,154	(7,154)

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31. TAKAFUL RISK (CONTINUED)

Sensitivity analysis (Continued)

Shareholders' fund - expense liabilities (Continued)

2014	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 →					
Scenario 1 - Mortality and major illness	+25%	20	(20)	20	(20)	(15)		(15)
Scenario 2 - Mortality and major illness	-25%	(18)	18	(18)	18	14		14
Scenario 3 - Health and disability	+25%	1,295	(1,295)	1,295	(1,295)	(971)		(971)
Scenario 4 - Health and disability	-25%	(465)	465	(465)	465	348		348
Scenario 5 - Lapse and surrender rates	+25%	(411)	411	(411)	411	309		309
Scenario 6 - Lapse and surrender rates	-25%	594	(594)	594	(594)	(445)		(445)
Scenario 7 - Expenses	+30%	4,025	(4,025)	4,025	(4,025)	(3,019)		(3,019)

Family takaful fund - takaful certificate liabilities

2015	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on surplus		Impact on profit before participants' fund	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		← Increase/(decrease) →	→ ← (Decrease)/increase →						
Scenario 1 - Mortality and major illness	+25%	38,199	(38,199)	3,785	(3,785)	(3,138)		(3,138)	
Scenario 2 - Mortality and major illness	-25%	(11,818)	11,818	(1,141)	1,141	1,004		1,004	
Scenario 3 - Health and disability	+25%	18,522	(18,522)	9,339	(9,339)	(9,234)		(9,234)	
Scenario 4 - Health and disability	-25%	(6,093)	6,093	(723)	723	713		713	
Scenario 5 - Lapse and surrender rates	+25%	(1,867)	1,867	(225)	225	206		206	
Scenario 6 - Lapse and surrender rates	-25%	2,381	(2,381)	283	(283)	(260)		(260)	

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31. TAKAFUL RISK (CONTINUED)

Sensitivity analysis (Continued)

Family takaful fund - takaful certificate liabilities

(Continued)

2014	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	RM'000
			← Increase/(decrease) →		← (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)					

Company - expense liabilities and takaful certificate liabilities

2015

2015	Change in assumptions %	Impact on gross liabilities		Impact on net liabilities		Impact on loss before taxation		Impact on equity*	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
			← Increase/(decrease) →		← (Decrease)/increase →				
Scenario 1 - Mortality and major illness	+25%	38,354	3,940	802	(802)				
Scenario 2 - Mortality and major illness	-25%	(12,003)	(1,325)	(322)	322				
Scenario 3 - Health and disability	+25%	22,550	13,368	4,134	(4,134)				
Scenario 4 - Health and disability	-25%	(7,383)	(2,013)	(1,300)	1,300				
Scenario 5 - Lapse and surrender rates	+25%	(2,388)	(747)	(541)	541				
Scenario 6 - Lapse and surrender rates	-25%	3,015	918	658	(658)				
Scenario 7 - Expenses	+25%	7,154	7,154	7,154	(7,154)				

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31. TAKAFUL RISK (CONTINUED)

Sensitivity analysis (Continued)

Company - expense liabilities and takaful
certificate liabilities (Continued)

2014

	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%	23,646	2,237	(191)	(143)
Scenario 2 - Mortality and major illness	-25%	(11,521)	(912)	26	20
Scenario 3 - Health and disability	+25%	18,494	14,833	(1,301)	(976)
Scenario 4 - Health and disability	-25%	(11,750)	(2,914)	466	350
Scenario 5 - Lapse and surrender rates	+25%	(3,432)	(926)	413	310
Scenario 6 - Lapse and surrender rates	-25%	4,757	1,299	(597)	(448)
Scenario 7 - Expenses	+30%	4,025	4,025	(4,025)	(3,019)

* The impact on equity is stated net of tax.

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32. MARKET AND CREDIT RISKS

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in profit rates, foreign exchange rates and equity prices can impact present and future investment earnings of the takaful operations as well as shareholders' equity.

The Company is exposed to market risk in the operator fund as well as mismatch risk between the assets and the liabilities of the takaful funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk management. In the case of the investment linked funds, investment risks are borne by the certificateholders and the Company does not assume any liability in the event of occurrence of loss or write-down in market valuation. Nevertheless, the revenues of the takaful operations are linked to the value of the underlying funds since this has an impact on the level of fees earned.

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 is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is mainly exposed to credit risk through (i) investments in cash and sukuks and (ii) exposure to retakaful contracts. For the two types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in sukuks, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

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

Credit risk in respect of customer balances incurred on non-payment of contributions predominantly persists during the grace period specified in the certificate document, when the certificate is either paid up or terminated. The credit risk in respect of group takaful outstanding contribution is being actively monitored.

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32. MARKET AND CREDIT RISKS (CONTINUED)

(a) Credit risk (Continued)

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

2015	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Government investment issues	22,016	49,043	71,059
Islamic private debt securities	34,642	62,291	96,933
Financial assets at FVTPL:			
Government investment issues	-	14,745	14,745
Islamic private debt securities	-	21,579	21,579
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	750	69,080	69,830
Takaful receivables	-	13,260	13,260
Retakaful assets	-	57,626	57,626
Other receivables	31,404	1,573	2,378
Cash and bank balances	2,116	6,247	8,363
	<u>90,928</u>	<u>295,444</u>	<u>355,773</u>
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2014			
AFS financial assets:			
Government investment issues	11,529	32,396	43,925
Islamic private debt securities	35,622	34,914	70,536
Financial assets at FVTPL:			
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>84,578</u>	<u>212,967</u>	<u>272,956</u>

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32. MARKET AND CREDIT RISKS (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 RM'000	Past due RM'000	Total RM'000
	Government guaranteed (BBB to AAA) RM'000	Investment grade* RM'000	Not rated RM'000			
<u>Shareholders' fund</u>						
2015						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	5,992	-	5,992
Unit trusts - REITS	-	-	-	438	-	438
Government investment issues	22,016	-	-	-	-	22,016
Islamic private debt securities	-	33,632	1,010	-	-	34,642
Units held in investment-linked fund	-	-	-	4,741	-	4,741
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	750	-	-	-	750
Other receivables	-	-	31,404	-	-	31,404
Cash and bank balances	-	2,116	-	-	-	2,116
	22,016	36,498	32,414	11,171	-	102,099

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (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			
<u>Shareholders' fund (Continued)</u>						
2014						
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
	11,529	47,172	25,877	16,503	-	101,081

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (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			
Family takaful fund						
2015						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	23,098	-	23,098
Unit trusts - REITS	-	-	-	877	-	877
Government investment issues	49,043	-	-	-	-	49,043
Islamic private debt securities	-	52,262	10,029	-	-	62,291
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	45,247	-	45,247
Financial instruments with embedded derivatives	-	-	-	24	-	24
Unit trusts - REITS	-	-	-	353	-	353
Government investment issues	14,745	-	-	-	-	14,745
Islamic private debt securities	-	19,075	2,504	-	-	21,579
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	69,080	-	-	-	69,080
Takaful receivables	-	3,521	9,739	-	-	13,260
Retakaful assets	-	57,626	-	-	-	57,626
Other receivables	-	-	1,573	-	-	1,573
Cash and bank balances	-	6,247	-	-	-	6,247
	63,788	207,811	23,845	69,599	-	365,043

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (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			
Family takaful fund (Continued)						
2014						
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
	38,159	148,109	26,520	56,605	179	269,572

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (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			
2015						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	29,090	-	29,090
Unit trusts - REITS	-	-	-	1,315	-	1,315
Government investment issues	71,059	-	-	-	-	71,059
Islamic private debt securities	-	85,894	11,039	-	-	96,933
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	45,247	-	45,247
Financial instruments with embedded derivatives	-	-	-	24	-	24
Unit trusts - REITS	-	-	-	353	-	353
Government investment issues	14,745	-	-	-	-	14,745
Islamic private debt securities	-	19,075	2,504	-	-	21,579
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	69,830	-	-	-	69,830
Takaful receivables	-	3,521	9,739	-	-	13,260
Retakaful assets	-	57,626	-	-	-	57,626
Other receivables	-	-	2,378	-	-	2,378
Cash and bank balances	-	8,363	-	-	-	8,363
	85,804	244,309	25,660	76,029	-	431,802

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (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 (BBB to AAA) RM'000	Investment grade* RM'000	Not rated RM'000			
2014						
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	-	61,824	8,712	-	-	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	-	11,925	4,042	-	-	15,967
Loans and receivables:						
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
	49,688	195,281	27,808	64,349	179	337,305

* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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32. MARKET AND CREDIT RISKS (CONTINUED)

(a) Credit risk (Continued)

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

	6 months to		Total
	< 6 months	12 months	> 12 months
	RM'000	RM'000	RM'000
<u>Family takaful fund/Company</u>			
2014			
Takaful receivables	18	152	9
			179

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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks

Cash flow and liquidity risks arise when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. 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 inflows 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, expenses, commissions, claims, maturities and surrenders. Renewal contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been relatively small.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring.

Maturity profiles

The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and 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. MARKET AND CREDIT RISKS (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
2015							
AFS financial assets:							
Quoted Shariah-approved equities	5,992	-	-	-	-	5,992	5,992
Unit trusts - REITS	438	-	-	-	-	438	438
Government investment issues	22,016	150	434	18,059	8,363	-	27,006
Islamic private debt securities	34,642	711	926	11,508	41,097	-	54,242
Units held in investment-linked fund	4,741	-	-	-	-	4,741	4,741
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	750	751	-	-	-	-	751
Other receivables	31,404	31,404	-	-	-	-	31,404
Cash and bank balances	2,116	2,116	-	-	-	-	2,116
Total financial assets	<u>102,099</u>	<u>35,132</u>	<u>1,360</u>	<u>29,567</u>	<u>49,460</u>	<u>11,171</u>	<u>126,690</u>

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	Maturity				No maturity date RM'000	Total RM'000
		0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000		
2015 (Continued)							
Expense liabilities	12,567	-	972	757	10,838	-	12,567
Amounts due to related companies	6,899	6,899	-	-	-	-	6,899
Takaful payables	1,754	1,754	-	-	-	-	1,754
Other payables	18,960	18,960	-	-	-	-	18,960
Provisions	3,377	3,377	-	-	-	-	3,377
Total financial liabilities	<u>43,557</u>	<u>30,990</u>	<u>972</u>	<u>757</u>	<u>10,838</u>	<u>-</u>	<u>43,557</u>
Total liquidity surplus/(gap)	58,542	4,142	388	28,810	38,622	11,171	83,133

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

<u>Shareholders' fund</u>	Carrying value RM'000	Maturity				No maturity date RM'000	Total RM'000
		0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000		
2014							
AFS financial assets:							
Quoted Shariah-approved equities	7,537	-	-	-	-	7,537	
Unit trusts - REITS	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	
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	
Total financial assets	101,081	38,066	1,147	16,320	51,782	123,818	

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	Maturity				No maturity date RM'000	Total RM'000
		0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000		
2014 (Continued)							
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	31,286	24,275	1,335	707	4,969	-	31,286
Total liquidity surplus/(gap)	69,795	13,791	(188)	15,613	46,813	16,503	92,532

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

Family takaful fund

2015

AFS financial assets:

Quoted Shariah-approved equities

Unit trusts - REITS

Government investment issues

Islamic private debt securities

Financial assets at FVTPL:

Quoted Shariah-approved equities

Financial instruments with embedded derivatives

Unit trusts - REITS

Government investment issues

Islamic private debt securities

Loans and receivables:

Islamic investment accounts with licensed Islamic banks

Takaful receivables

Retakaful assets

Other receivables

Cash and bank balances

Total financial/takaful assets

	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
Quoted Shariah-approved equities	23,098	-	-	-	-	23,098	23,098
Unit trusts - REITS	877	-	-	-	-	877	877
Government investment issues	49,043	409	986	35,513	27,598	-	64,506
Islamic private debt securities	62,291	1,133	1,632	27,314	70,238	-	100,317
Financial assets at FVTPL:							
Quoted Shariah-approved equities	45,247	-	-	-	-	45,247	45,247
Financial instruments with embedded derivatives	24	-	-	-	-	24	24
Unit trusts - REITS	353	-	-	-	-	353	353
Government investment issues	14,745	120	300	6,612	11,866	-	18,898
Islamic private debt securities	21,579	428	557	8,527	23,679	-	33,191
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	69,080	69,249	-	-	-	-	69,249
Takaful receivables	13,260	13,260	-	-	-	-	13,260
Retakaful assets	57,626	35,736	2,470	19,419	-	-	57,626
Other receivables	1,573	1,573	-	-	-	-	1,573
Cash and bank balances	6,247	6,247	-	-	-	-	6,247
Total financial/takaful assets	<u>365,043</u>	<u>128,155</u>	<u>5,945</u>	<u>97,385</u>	<u>133,381</u>	<u>69,599</u>	<u>434,465</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

Family takaful fund (Continued)	Carrying value RM'000	Maturity profiles				No maturity date RM'000	Total RM'000
		0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000		
2015 (Continued)							
Takaful certificate liabilities	259,462	824	26,231	102,966	129,441	-	259,462
Participants' fund	53,867	53,867	-	-	-	-	53,867
Takaful payables	7,889	7,889	-	-	-	-	7,889
Other payables	43,718	43,718	-	-	-	-	43,718
Total financial/takaful liabilities	364,936	106,298	26,231	102,966	129,441	-	364,936
Total liquidity surplus/(gap)	107	21,857	(20,286)	(5,581)	3,940	69,599	69,529

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

Family takaful fund

2014

	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
AFS financial assets:							
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
Financial assets at FVTPL:							
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
Loans and receivables:							
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
Total financial/takaful assets	<u>269,572</u>	<u>102,588</u>	<u>8,041</u>	<u>53,462</u>	<u>78,217</u>	<u>56,605</u>	<u>298,913</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(b) Cash flow and liquidity risks (Continued)

Maturity profiles (Continued)

<u>Family takaful 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
2014 (Continued)							
Takaful certificate liabilities	185,861	12,296	7,123	59,734	106,708	-	185,861
Participants' fund	35,622	35,622	-	-	-	-	35,622
Takaful payables	13,650	13,650	-	-	-	-	13,650
Other payables	34,457	34,457	-	-	-	-	34,457
Total financial/takaful liabilities	269,590	96,025	7,123	59,734	106,708	-	269,590
Total liquidity (gap)/surplus	(18)	6,563	918	(6,272)	(28,491)	56,605	29,323

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (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
2015							
AFS financial assets:							
Quoted Shariah-approved equities	29,090	-	-	-	-	29,090	29,090
Unit trusts - REITS	1,315	-	-	-	-	1,315	1,315
Government investment issues	71,059	559	1,420	53,572	35,961	-	91,512
Islamic private debt securities	96,933	1,844	2,558	38,822	111,335	-	154,559
Financial assets at FVTPL:							
Quoted Shariah-approved equities	45,247	-	-	-	-	45,247	45,247
Financial instruments with embedded derivatives	24	-	-	-	-	24	24
Unit trusts - REITS	353	-	-	-	-	353	353
Government investment issues	14,745	120	300	6,612	11,866	-	18,898
Islamic private debt securities	21,579	428	557	8,527	23,679	-	33,191
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	69,830	70,000	-	-	-	-	70,000
Takaful receivables	13,260	13,260	-	-	-	-	13,260
Retakaful assets	57,626	35,736	2,470	19,419	-	-	57,626
Other receivables	2,378	2,378	-	-	-	-	2,378
Cash and bank balances	8,363	8,363	-	-	-	-	8,363
Total financial/takaful assets	431,802	132,688	7,305	126,952	182,841	76,029	525,816

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (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
2015 (Continued)							
Expense liabilities	12,567	-	972	757	10,838	-	12,567
Takaful certificate liabilities	309,690	51,052	26,231	102,966	129,441	-	309,690
Amounts due to related companies	6,899	6,899	-	-	-	-	6,899
Takaful payables	9,643	9,643	-	-	-	-	9,643
Other payables	32,079	32,079	-	-	-	-	32,079
Provisions	3,377	3,377	-	-	-	-	3,377
Total financial/takaful liabilities	<u>374,255</u>	<u>103,050</u>	<u>27,203</u>	<u>103,723</u>	<u>140,279</u>	<u>-</u>	<u>374,255</u>
Total liquidity surplus/(gap)	57,547	29,638	(19,898)	23,229	42,562	76,029	151,561

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (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
2014							
AFS financial assets:							
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
Financial assets at FVTPL:							
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
Loans and receivables:							
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
Total financial/takaful assets	337,305	116,067	9,188	69,782	129,998	64,349	389,384

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (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
2014 (Continued)							
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
Total financial/takaful liabilities	<u>269,272</u>	<u>88,696</u>	<u>8,458</u>	<u>60,441</u>	<u>111,677</u>	<u>-</u>	<u>269,272</u>
Total liquidity surplus	68,033	27,371	730	9,341	18,321	64,349	120,112

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32. MARKET AND CREDIT RISKS (CONTINUED)

(c) Profit rate risk (or Profit yield risk)

The Company is exposed to profit rate risk through (i) investments in fixed income instruments and money market instruments in both the shareholders' fund and the family takaful funds and (ii) expense liabilities in the takaful funds. This happens when there are changes to yields where it will incur an economic loss when yields rise.

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 yield movements.

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

<u>Shareholders' fund</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2015				
Government investment issues	-	14,523	7,493	22,016
Islamic private debt securities	-	4,305	30,337	34,642
Islamic investment accounts with licensed Islamic banks	750	-	-	750
	<u>750</u>	<u>18,828</u>	<u>37,830</u>	<u>57,408</u>
2014				
Government investment issues		3,696	7,833	11,529
Islamic private debt securities		3,820	31,802	35,622
Islamic investment accounts with licensed Islamic banks	9,200	-	-	9,200
	<u>9,200</u>	<u>7,516</u>	<u>39,635</u>	<u>56,351</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(c) Profit rate risk (or Profit yield risk) (Continued)

<u>Family takaful fund</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2015				
Government investment issues	-	32,248	31,540	63,788
Islamic private debt securities	-	19,163	64,707	83,870
Islamic investment accounts with licensed Islamic banks	69,080	-	-	69,080
	<u>69,080</u>	<u>51,411</u>	<u>96,247</u>	<u>216,738</u>
2014				
Government investment issues	-	29,686	8,473	38,159
Islamic private debt securities	-	9,062	41,819	50,881
Islamic investment accounts with licensed Islamic banks	68,730	-	-	68,730
	<u>68,730</u>	<u>38,748</u>	<u>50,292</u>	<u>157,770</u>
	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<u>Company</u>				
2015				
Government investment issues	-	46,771	39,033	85,804
Islamic private debt securities	-	23,468	95,044	118,512
Islamic investment accounts with licensed Islamic banks	69,830	-	-	69,830
	<u>69,830</u>	<u>70,239</u>	<u>134,077</u>	<u>274,146</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(c) Profit rate risk (or Profit yield risk) (Continued)

<u>Company</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2014				
Government investment issues	-	33,382	16,306	49,688
Islamic private debt securities	-	12,882	73,621	86,503
Islamic investment accounts with licensed Islamic banks	77,930	-	-	77,930
	<u>77,930</u>	<u>46,264</u>	<u>89,927</u>	<u>214,121</u>

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 Statement, 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. MARKET AND CREDIT RISKS (CONTINUED)

(c) Profit rate risk (or Profit yield risk) (Continued)

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

	2015				2014				Impact on equity/ participants' fund* RM'000
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on loss before tax RM'000	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on profit before tax RM'000	
Change in profit rate	Increase/(Decrease)				Increase/(Decrease)				
Shareholders' fund									
+100 basis points	(386)	(386)	-	(386)	(353)	(353)	-	353	(89)
-100 basis points	486	486	-	486	519	519	-	(519)	(36)
Family takaful fund									
+100 basis points	-	-	(363)	-	-	-	(217)	-	(819)
-100 basis points	-	-	363	-	-	-	217	-	819
Company									
+100 basis points	(386)	(386)	-	(386)	(353)	(353)	-	353	(89)
-100 basis points	486	486	-	486	519	519	-	(519)	(36)

* Impact on equity is after tax of 25% and the impact on participants' fund is after tax of 8%.

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator.

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
2015			
Assets			
Motor vehicle and equipment	7,988	-	7,988
Intangible assets	3,247	-	3,247
Investment assets:			
AFS financial assets	67,829	-	67,829
Loans and receivables	750	-	750
Other receivables	31,404	-	31,404
Deferred tax asset	3,073	-	3,073
Cash and bank balances	2,116	-	2,116
Total assets	<u>116,407</u>	<u>-</u>	<u>116,407</u>
Liabilities			
Provision for zakat	57	-	57
Expense liabilities	12,567	-	12,567
Amounts due to related companies	5,012	1,887	6,899
Takaful payables	1,754	-	1,754
Other payables	18,960	-	18,960
Provisions	3,377	-	3,377
Total liabilities	<u>41,727</u>	<u>1,887</u>	<u>43,614</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk (Continued)

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
2014			
Assets			
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
Total assets	<u>116,050</u>	<u>-</u>	<u>116,050</u>
Liabilities			
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
Total liabilities	<u>29,861</u>	<u>1,500</u>	<u>31,361</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk (Continued)

<u>Family takaful fund</u>	RM RM'000	SGD RM'000	Total RM'000
2015			
Assets			
Investment assets:			
AFS financial assets	135,309	-	135,309
Financial assets at FVTPL	81,948	-	81,948
Loans and receivables	69,080	-	69,080
Takaful receivables	13,260	-	13,260
Retakaful assets	57,626	-	57,626
Other receivables	1,573	-	1,573
Tax recoverable	364	-	364
Cash and bank balances	6,245	2	6,247
Total assets	<u>365,405</u>	<u>2</u>	<u>365,407</u>
Liabilities			
Takaful certificate liabilities	259,462	-	259,462
Participants' fund	53,867	-	53,867
Deferred tax liability	471	-	471
Takaful payables	7,889	-	7,889
Other payables	43,718	-	43,718
Total liabilities	<u>365,407</u>	<u>-</u>	<u>365,407</u>

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk (Continued)

<u>Family takaful fund</u>	RM RM'000	SGD RM'000	Total RM'000
2014			
Assets			
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
Total assets	<u>269,591</u>	<u>2</u>	<u>269,593</u>
Liabilities			
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
Total liabilities	<u>269,593</u>	<u>-</u>	<u>269,593</u>

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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	Total RM'000
2015			
Assets			
Motor vehicle and equipment	7,988	-	7,988
Intangible assets	3,247	-	3,247
Investment assets:			
AFS financial assets	198,397	-	198,397
Financial assets at FVTPL	81,948	-	81,948
Loans and receivables	69,830	-	69,830
Takaful receivables	13,260	-	13,260
Retakaful assets	57,626	-	57,626
Other receivables	2,378	-	2,378
Deferred tax asset	3,338	-	3,338
Tax recoverable	364	-	364
Cash and bank balances	8,361	2	8,363
Total assets	<u>446,737</u>	<u>2</u>	<u>446,739</u>
Liabilities			
Provision for zakat	57	-	57
Expense liabilities	12,567	-	12,567
Takaful certificate liabilities	309,690	-	309,690
Deferred tax liability	471	-	471
Amounts due to related companies	5,012	1,887	6,899
Takaful payables	9,643	-	9,643
Other payables	32,079	-	32,079
Provisions	3,377	-	3,377
Total liabilities	<u>372,896</u>	<u>1,887</u>	<u>374,783</u>

GREAT EASTERN TAKAFUL BERHAD
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32. MARKET AND CREDIT RISKS (CONTINUED)

(d) Foreign currency risk (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	Total RM'000
2014			
Assets			
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
Total assets	352,729	2	352,731
Liabilities			
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
Total liabilities	267,850	1,500	269,350

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32. MARKET AND CREDIT RISKS (CONTINUED)

(e) Equity price risk

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.

Market indices - FTSE Bursa Malaysia

Change in variables	← 2015 →		← 2014 →	
	Impact on surplus arising	Impact on equity/ participants' fund*	Impact on surplus arising	Impact on equity/ participants' fund*
	RM'000	RM'000	RM'000	RM'000
	← Increase/(decrease) →		← Increase/(decrease) →	
Shareholders' fund				
+ 20%	-	965	-	1,162
- 20%	-	(965)	-	(1,162)
Family takaful fund				
+ 20%	9,125	12,806	8,369	10,415
- 20%	(9,125)	(12,806)	(8,369)	(10,415)
Company				
+ 20%	-	965	-	1,162
- 20%	-	(965)	-	(1,162)

* Impact on equity is after tax of 25% and the impact on participants' fund is after tax of 8%.

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32. MARKET AND CREDIT RISKS (CONTINUED)

(f) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in Islamic private debt securities or corporate sukuk. Credit spread is the difference between the corporate yields against risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the sukuk. A widening in credit spreads will generally result in a fall in the value of the Company's sukuk 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 this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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 or external events.

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 applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Internal standards and guidelines

The day-to-day management of operational and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at 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. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from, amongst others, operational and compliance risks.

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34. TECHNOLOGY RISK

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behavior.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

35. 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, financial instruments with embedded derivatives, unit trusts - REITS and units held in investment-linked fund 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.

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(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 is as follows:

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
2015			
<u>Shareholders' fund</u>			
AFS financial assets:			
Quoted Shariah-approved equities	5,992	-	5,992
Unit trusts - REITS	438	-	438
Government investment issues	-	22,016	22,016
Islamic private debt securities	-	34,642	34,642
Units held in investment-linked fund	4,741	-	4,741
	<u>11,171</u>	<u>56,658</u>	<u>67,829</u>
	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
2014			
<u>Shareholders' fund</u>			
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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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2015	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>Family takaful fund</u>			
AFS financial assets:			
Quoted Shariah-approved equities	23,098	-	23,098
Unit trusts - REITS	877	-	877
Government investment issues	-	49,043	49,043
Islamic private debt securities	-	62,291	62,291
Financial assets at FVTPL:			
Quoted Shariah-approved equities	45,247	-	45,247
Financial instruments with embedded derivatives	24	-	24
Unit trusts - REITS	353	-	353
Government investment issues	-	14,745	14,745
Islamic private debt securities	-	21,579	21,579
	69,599	147,658	217,257
2014	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>Family takaful fund</u>			
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
	56,605	89,040	145,645

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2015	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>Company</u>			
AFS financial assets:			
Quoted Shariah-approved equities	29,090	-	29,090
Unit trusts - REITS	1,315	-	1,315
Government investment issues	-	71,059	71,059
Islamic private debt securities	-	96,933	96,933
Financial assets at FVTPL:			
Quoted Shariah-approved equities	45,247	-	45,247
Financial instruments with embedded derivatives	24	-	24
Unit trusts - REITS	353	-	353
Government investment issues	-	14,745	14,745
Islamic private debt securities	-	21,579	21,579
	76,029	204,316	280,345
2014	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>Company</u>			
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

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 2015 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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36. 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.

37. 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>	2015 RM'000	2014 RM'000
Not later than 1 year	1,499	1,471
Later than 1 year but not later than 5 years	990	1,755
	<u>2,489</u>	<u>3,226</u>

38. INVESTMENT-LINKED TAKAFUL FUNDS

(a) Statement of income and expenditure

	2015 RM'000	2014 RM'000
Investment income	1,951	1,162
Realised gains and losses	(2,056)	1,637
Fair value gains and losses	5,382	(3,964)
	<u>5,277</u>	<u>(1,165)</u>
Net other operating expenses	(1,476)	(3,472)
Profit/(loss) before taxation	3,801	(4,637)
Taxation	(280)	258
Net profit/(loss) for the year	<u>3,521</u>	<u>(4,379)</u>

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38. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(a) Statement of income and expenditure (Continued)

	2015 RM'000	2014 RM'000
Undistributed income brought forward	1,296	5,675
Undistributed income carried forward	<u>4,817</u>	<u>1,296</u>

(b) Statement of financial position

ASSETS	2015 RM'000	2014 RM'000
Financial assets at FVTPL:		
Quoted Shariah-approved equities	45,247	41,847
Financial instruments with embedded derivatives	24	-
Unit trusts - REITS	353	-
Islamic private debt securities	19,075	11,925
Profit receivables	211	209
Loans and receivables:		
Islamic investment accounts with licensed Islamic banks	14,130	15,440
Other receivables	-	68
Tax recoverable	165	67
Cash and bank balances	121	268
Total assets	<u>79,326</u>	<u>69,824</u>
LIABILITIES		
Other payables	1,025	2,069
Deferred tax liabilities	419	3
Total liabilities	<u>1,444</u>	<u>2,072</u>
Represented by:		
Net asset value of funds	<u>77,882</u>	<u>67,752</u>
Value of units	73,065	66,456
Undistributed income carried forward	4,817	1,296
Net asset value of funds	<u>77,882</u>	<u>67,752</u>