

GREAT EASTERN TAKAFUL BERHAD
(916257-H)
(Incorporated in Malaysia)

Unaudited Interim Condensed Financial Statements

For the six-month ended 30 June 2018

GREAT EASTERN TAKAFUL BERHAD
(916257-H)
(Incorporated in Malaysia)

Unaudited interim condensed financial statements for the six-month ended 30 June 2018

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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018			2017		
		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 vehicles and equipment		11,561	-	11,561	10,027	-	10,027
Intangible assets		7,074	-	7,074	8,092	-	8,092
Investment assets:							
Financial assets at Fair Value Through Other Comprehensive Income ("FVOCI")	12(a)	7,096	252,197	259,293	77,787	198,036	270,446
Financial assets at Fair Value Through Profit & Loss ("FVTPL")	12(b)	68,096	151,120	213,898	-	174,789	174,789
Loans and receivables	12(c)	15,500	93,500	109,000	10,300	91,050	101,350
Takaful receivables	13	-	12,534	12,534	-	11,082	11,082
Retakaful assets	14	-	106,181	106,181	-	98,529	98,529
Other receivables		16,517	13,326	14,817	30,517	5,409	6,721
Participants' fund		-	1,823	-	-	-	-
Deferred tax asset		1,771	899	3,004	-	-	-
Tax recoverable		1,003	-	-	492	-	-
Cash and bank balances		6,760	10,217	16,977	5,213	9,684	14,897
Total assets		135,378	641,797	754,339	142,428	588,579	695,933
Equity							
Share capital		155,000	-	155,000	155,000	-	155,000
Accumulated losses		(80,918)	-	(82,263)	(81,200)	-	(81,200)
Other comprehensive income fair value reserves		(678)	-	(678)	1,798	-	408
Total equity		73,404	-	72,059	75,598	-	74,208
Liabilities and participants' fund							
Provision for zakat		50	-	50	-	-	-
Provision for taxation		-	1,286	283	-	979	487
Expense liabilities		18,737	-	18,737	22,634	-	22,634
Takaful certificate liabilities	15	-	598,765	593,303	-	520,598	538,759
Participants' fund		-	-	-	-	21,800	-
Deferred tax liabilities		-	-	-	418	847	917
Amounts due to related companies		5,684	-	5,684	4,900	-	4,900
Takaful payables		8,538	9,116	17,654	7,999	7,998	15,997
Other payables		27,028	32,630	44,632	25,386	36,357	32,538
Provisions		1,937	-	1,937	5,493	-	5,493
Total liabilities and participants' fund		61,974	641,797	682,280	66,830	588,579	621,725
Total equity, liabilities and participants' fund		135,378	641,797	754,339	142,428	588,579	695,933

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE SIX-MONTH ENDED 30 JUNE 2018

	2018			2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Wakalah fee income	70,561	-	-	59,352	-	-
Gross earned contributions	-	189,381	189,381	-	144,549	144,549
Earned contributions ceded to retakaful operators	-	(25,537)	(25,537)	-	(22,606)	(22,606)
Net earned contributions	-	163,844	163,844	-	121,943	121,943
Investment income	1,734	9,540	11,274	1,511	7,042	8,553
Realised gains	59	184	243	539	6,688	7,227
Fair value (losses)/gains	(877)	(14,535)	(15,412)	-	3,903	3,903
Fee and commission income	-	639	129	-	686	241
Other operating revenue	29	44	73	27	32	59
Other revenue	945	(4,128)	(3,693)	2,077	18,351	19,983
Gross benefits and claims paid	-	(49,828)	(49,828)	-	(39,716)	(39,716)
Claims ceded to retakaful operators	-	19,151	19,151	-	18,915	18,915
Gross change in certificate liabilities	-	(65,383)	(63,645)	-	(62,097)	(58,964)
Change in certificate liabilities ceded to retakaful operators	-	7,651	7,651	-	2,843	2,843
Net benefits and claims	-	(88,409)	(86,671)	-	(80,055)	(76,922)
Wakalah fee expense	-	(70,561)	-	-	(59,352)	-
Commission expenses/administration fees	(37,107)	(1,493)	(38,090)	(33,459)	(1,031)	(34,045)
Management expenses	(39,659)	(1,919)	(41,578)	(40,158)	(1,830)	(41,988)
Change in expense liabilities	3,898	-	3,898	1,157	-	1,157
Impairment loss on other comprehensive income fair value financial assets	-	3	3	-	(58)	(58)
Taxation of family takaful business	-	925	925	-	(1,101)	(1,101)
Other expenses	(72,868)	(73,045)	(74,842)	(72,460)	(63,372)	(76,035)
Operating loss before surplus transfers	(1,362)	(1,738)	(1,362)	(11,031)	(3,133)	(11,031)
Surplus attributable to participants	-	1,738	-	-	3,133	-
Loss before zakat and taxation	(1,362)	-	(1,362)	(11,031)	-	(11,031)
Zakat	(50)	-	(50)	111	-	111
Taxation	(178)	-	(178)	(409)	-	(409)
Net loss for the period	(1,590)	-	(1,590)	(11,329)	-	(11,329)
Loss per share (sen)						
Basic and diluted	1.2	-	1.2	10.3	-	10.3

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH ENDED 30 JUNE 2018

	2018			2017		
	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 for the period	(1,590)	-	(1,590)	(11,329)	-	(11,329)
Other comprehensive income:						
Items that will not be reclassified to income statement:						
Revaluation losses on equity instruments at fair value through other comprehensive income	(24)	(401)	(425)	-	-	-
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:						
Loss on fair value changes	(3,102)	(7,692)	(10,794)	(219)	(124)	(635)
Realised loss transferred to income statement	-	102	102	539	1,959	2,498
Impairment losses transferred to income statement	-	879	879	-	58	58
Deferred tax relating to components of other comprehensive income	626	515	1,141	4	(173)	(167)
Other comprehensive loss(income) attributable to participants	-	6,597	6,597	-	(1,720)	(1,720)
Other comprehensive (loss)/income for the period, net of tax	(2,500)	-	(2,500)	324	-	34
Total comprehensive loss for the period	(4,090)	-	(4,090)	(11,005)	-	(11,925)

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

GREAT EASTERN TAKAFUL BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH ENDED 30 JUNE 2018

	Attributable to Equity Holder of the Company			
	Share capital RM'000	Non-distributable Fair Value Reserves RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2017	120,000	282	(67,114)	53,168
Net loss for the period	-	-	(11,329)	(11,329)
Other comprehensive income	-	34	-	34
Total comprehensive income/(loss)	-	34	(11,329)	(11,295)
Issuance of shares	35,000	-	-	35,000
At 30 June 2017	155,000	316	(78,443)	76,873
At 1 January 2018	155,000	408	(81,200)	74,208
Impact of adoption of MFRS 9 (Note 2(a))	-	1,390	551	1,941
At 1 January 2018, restated	155,000	1,798	(80,649)	76,149
Net loss for the period	-	-	(1,590)	(1,590)
Other comprehensive loss	-	(2,500)	-	(2,500)
Total comprehensive loss	-	(2,500)	(1,590)	(4,090)
Reclassification of net change in fair value of equity equity instruments upon derecognition	-	24	(24)	-
At 30 June 2018	155,000	(678)	(82,263)	72,059

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

GREAT EASTERN TAKAFUL BERHAD
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH ENDED 30 JUNE 2018

	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
OPERATING ACTIVITIES		
Loss before zakat and taxation	(1,362)	(11,031)
Adjustments for:		
Impact of adoption of MFRS 9	1,042	-
Depreciation for motor vehicles and equipment	1,853	1,405
Amortisation of intangible assets	1,061	857
Investment income	(11,274)	(8,553)
Realised gains	(243)	(7,227)
Fair value losses/(gain) in income statement	15,412	(3,903)
Impairment loss on AFS financial assets	-	(91)
Taxation of family takaful business	(925)	1,101
Operating profit/(loss) before working capital changes	5,564	(27,442)
Purchase of other comprehensive income fair value investments	(136,612)	(191,611)
Proceeds from sales of other comprehensive income fair value investments	142,246	105,105
Purchase of FVTPL investments	(215,224)	(149,838)
Proceeds from sales of FVTPL investments	157,879	130,085
(Increase)/decrease in takaful and other receivables	(10,022)	134
Increase in retakaful assets	(7,651)	(2,843)
Increase in takaful and other payables	6,297	3,352
Increase in takaful certificate liabilities	60,842	58,172
Net change in balance with related companies	785	1,866
Cash generated from/(used in) operating activities	4,104	(73,020)
Income tax paid	(2,695)	(189)
Investment income received	11,752	7,741
Net cash generated from/(used in) operating activities	13,161	(65,468)
INVESTING ACTIVITIES		
Purchase of motor vehicles and equipment	(3,387)	(2,365)
Purchase of intangible assets	(44)	(7,215)
Net cash used in investing activities	(3,431)	(9,580)
FINANCING ACTIVITY		
Issuance of share	-	35,000
Net cash generated from financing activity	-	35,000
Net increase/(decrease) in cash and cash equivalents	9,730	(40,048)
Cash and cash equivalents at beginning of period	116,247	129,266
Cash and cash equivalents at end of period	125,977	89,218
Cash and cash equivalents comprise of:		
Cash and bank balances	16,977	13,168
Short term Islamic investment accounts with original maturity period of less than 3 months	109,000	76,050
	125,977	89,218

GREAT EASTERN TAKAFUL BERHAD
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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS - 30 JUNE 2018

1. BASIS OF PREPARATION

The interim condensed financial statements of Great Eastern Takaful Berhad ("the Company") are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The interim condensed financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2017.

The notes attached to the unaudited interim condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2017.

The interim condensed financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) New and amended standards and interpretations

The significant accounting policies in these interim condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2017, except for the adoption of the following standards, amendments to standards and interpretation of standards:

Effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2 *Share-based Payment - Classification and Measurement of Share-based based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9 *Financial Instruments*

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Effective for financial periods beginning on or after 1 January 2018 (Continued)

- Amendments to MFRS 128 *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- MFRS 15 *Revenue from Contracts with Customers*

The Company applies, for the first time, MFRS 9 *Financial Instruments*. As required by MFRS 134, the nature and effect of adopting MFRS 9 are disclosed in Table A.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

MFRS 9 Financial Instruments

The Company has adopted MFRS 9 *Financial Instruments* effective 1 January 2018. The requirements of MFRS 9 represent a significant change from MFRS 139 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below. MFRS 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under MFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

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

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

MFRS 9 Financial Instruments (Continued)

MFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income, with no recycling of gains or losses in profit or loss on derecognition.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest are required to be classified at fair value through profit or loss.

Impairment

MFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively and the Company has elected to apply the limited exemption in MFRS 9 and has not restated comparative periods in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

The following table shows the material reclassifications arising from adoption of MFRS 9 as well as the impact, net of tax, in fair value reserves and retained earnings. There is no impact on other components of equity.

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

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

MFRS 9 *Financial Instruments* (Continued)

Table A - Estimated impact from adoption of MFRS 9

	Before MFRS 9 adjustments	Classification and Measure- ment	Expected Credit Loss ("ECL") Measurement	After MFRS 9 adjustments
	RM'000	RM'000	RM'000	RM'000
Assets				
Investments	551,962	-	(882)	551,962
LAR	101,350	-	-	101,350
AFS	275,823	(275,823)	-	-
- Quoted Shariah- approved equities	27,497	(27,497)	-	-
- Islamic private debt securities	242,949	(242,949)	-	-
- Collective investment schemes	5,377	(5,377)	-	-
FVTPL	174,789	44,727	-	219,516
- Quoted Shariah- approved equities	103,646	-	-	103,646
- Islamic private debt securities	68,208	39,350	-	107,558
- Collective investment schemes	2,935	5,377	-	8,312
FVOCI	-	231,096	(882)	231,096
- Quoted Shariah- approved equities	-	27,497	-	27,497
- Islamic private debt securities	-	203,598	(882)	203,598
Takaful receivables	11,082	-	(3)	11,079

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

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

MFRS 9 *Financial Instruments* (Continued)

Table A - Estimated impact from adoption of MFRS 9 (Continued)

	Before MFRS 9 adjustments	Classification and Measure- ment	Expected Credit Loss ("ECL") Measurement	After MFRS 9 adjustments
	RM'000	RM'000	RM'000	RM'000
Equity				
Accumulated losses	(81,200)	551	-	(80,649)
AFS reserves	408	(408)	-	-
FVOCI reserves	-	1,798	-	1,798
Liabilities				
Deferred tax liabilities	1,265	-	(71)	1,194

Other than the effects described above, the adoption of the new standard have no material impact on the financial statements in the period of initial application.

(b) Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangement (Annual Improvements to MFRS Standards 2015-2017 cycle)*

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

(b) Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2019 (Continued)

- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

Effective for financial periods beginning on or after 1 January 2020

- Amendments to MFRS 2 *Shared-based Payment*
- Amendments to MFRS 3 *Business Combination*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- Amendments to IC Interpretation 12 *Service Concession Arrangements*
- Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management expects that the adoption of the above standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, 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)

(b) Standards issued but not yet effective (Continued)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach on transition to the new standard.

The Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

MFRS 17 Insurance Contracts

MFRS 17 was issued by the Malaysian Accounting Standards Board on 15 August 2017, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces MFRS 4 Insurance Contracts.

In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, MFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

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

(b) Standards issued but not yet effective (Continued)

MFRS 17 Insurance Contracts (Continued)

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

MFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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

(b) Standards issued but not yet effective (Continued)

MFRS 17 Insurance Contracts (Continued)

The Company plans to adopt the new standard on the required effective date. The Company started a project to implement MFRS 17 and has been performing a high-level impact assessment of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

3. SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 30 June 2018.

5. CHANGES IN ESTIMATES

There was no change in the basis used for accounting estimates for the interim financial period.

6. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt securities by the Company during the interim financial period.

7. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim reporting period that have not been reflected in the unaudited interim condensed financial statements.

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9. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

10. AUDITORS' REPORT

The auditors' report on the audited financial statements of the preceding 31 December 2017 did not contain any qualification.

11. CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report.

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12. FINANCIAL ASSETS

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:						
Quoted Shariah-approved equities	7,096	52,163	59,259	5,192	22,305	27,497
Government investment issues	-	76,661	76,661	18,382	54,221	72,603
Islamic private debt securities	-	123,373	123,373	48,836	121,510	170,346
Units held in investment-linked fund	-	-	-	5,377	-	-
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	110,504	110,504	-	103,646	103,646
Financial instruments with embedded derivatives	-	12	12	-	-	-
Unit trusts - REITS	-	4,509	4,509	-	2,935	2,935
Government investment issues	20,169	1,015	21,184	-	28,963	28,963
Islamic private debt securities	42,609	35,080	77,689	-	39,245	39,245
Units held in investment-linked fund	5,318	-	-	-	-	-
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	15,500	93,500	109,000	10,300	91,050	101,350
	<u>90,692</u>	<u>496,817</u>	<u>582,191</u>	<u>88,087</u>	<u>463,875</u>	<u>546,585</u>

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

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets	7,096	252,197	259,293	77,787	198,036	270,446
Financial assets at FVTPL	68,096	151,120	213,898	-	174,789	174,789
Loans and receivables	15,500	93,500	109,000	10,300	91,050	101,350
	<u>90,692</u>	<u>496,817</u>	<u>582,191</u>	<u>88,087</u>	<u>463,875</u>	<u>546,585</u>

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12. FINANCIAL ASSETS (CONTINUED)

(a) FVOCI financial assets

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At amortised cost/cost						
Quoted Shariah-approved equities	7,982	57,867	65,849	5,189	22,479	27,668
Government investment issues	-	76,895	76,895	18,283	54,248	72,531
Islamic private debt securities	-	124,427	124,427	48,460	120,610	169,070
Units held in investment-linked fund	-	-	-	3,639	-	-
	<u>7,982</u>	<u>259,189</u>	<u>267,171</u>	<u>75,571</u>	<u>197,337</u>	<u>269,269</u>
At fair value						
Quoted Shariah-approved equities	7,096	52,163	59,259	5,192	22,305	27,497
Government investment issues	-	76,661	76,661	18,382	54,221	72,603
Islamic private debt securities	-	123,373	123,373	48,836	121,510	170,346
Units held in investment-linked fund	-	-	-	5,377	-	-
	<u>7,096</u>	<u>252,197</u>	<u>259,293</u>	<u>77,787</u>	<u>198,036</u>	<u>270,446</u>

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12. FINANCIAL ASSETS (CONTINUED)

(b) Financial assets at FVTPL

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At amortised cost/cost						
Quoted Shariah-approved equities	-	114,730	114,730	-	93,525	93,525
Unit trusts - REITS	-	4,533	4,533	-	2,925	2,925
Government investment issues	20,168	1,045	21,213	-	28,983	28,983
Islamic private debt securities	42,953	35,077	78,030	-	39,023	39,023
Units held in investment-linked fund	3,639	-	-	-	-	-
	<u>66,760</u>	<u>155,385</u>	<u>218,506</u>	<u>-</u>	<u>164,456</u>	<u>164,456</u>
At fair value						
Quoted Shariah-approved equities	-	110,504	110,504	-	103,646	103,646
Financial instruments with embedded derivatives	-	12	12	-	-	-
Unit trusts - REITS	-	4,509	4,509	-	2,935	2,935
Government investment issues	20,169	1,015	21,184	-	28,963	28,963
Islamic private debt securities	42,609	35,080	77,689	-	39,245	39,245
Units held in investment-linked fund	5,318	-	-	-	-	-
	<u>68,096</u>	<u>151,120</u>	<u>213,898</u>	<u>-</u>	<u>174,789</u>	<u>174,789</u>

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12. FINANCIAL ASSETS (CONTINUED)

(c) Loans and receivables

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At cost and fair value						
Islamic investment accounts with licensed Islamic banks	15,500	93,500	109,000	10,300	91,050	101,350
	<u>15,500</u>	<u>93,500</u>	<u>109,000</u>	<u>10,300</u>	<u>91,050</u>	<u>101,350</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 RM109,000,000 (2017: RM101,350,000), 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.

(d) Fair values of financial instruments

The following table shows financial investments recorded at fair value analysed by the different basis of fair values as follows:

	At 30.06.2018			At 31.12.2017		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Valuation techniques:						
FVOCI financial assets						
Quoted prices	7,096	52,163	59,259	5,192	22,305	27,497
Market observable inputs	-	200,034	200,034	72,595	175,731	242,949
Financial assets at FVTPL						
Quoted prices	-	115,025	115,025	-	106,581	106,581
Market observable inputs	68,096	36,095	98,873	-	68,208	68,208
	<u>75,192</u>	<u>403,317</u>	<u>473,191</u>	<u>77,787</u>	<u>372,825</u>	<u>445,235</u>

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13. TAKAFUL RECEIVABLES

<u>Family takaful fund/Company</u>	At 30.06.2018 RM'000	At 31.12.2017 RM'000
Contributions due from agents, other intermediaries and a corporate shareholder	12,335	8,486
Amount due from retakaful operators	199	2,596
	<u>12,534</u>	<u>11,082</u>

Description	At 30.06.2018		
	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	(8,497)	-	(8,497)
Commission earned	-	49	49
Claims recoveries	-	8,647	8,647
	<u>(8,497)</u>	<u>8,696</u>	<u>199</u>

Description	At 31.12.2017		
	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	(5,296)	-	(5,296)
Claims recoveries	-	7,892	7,892
	<u>(5,296)</u>	<u>7,892</u>	<u>2,596</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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14. RETAKAFUL ASSETS

<u>Family takaful fund/Company</u>	At 30.06.2018 RM'000	At 31.12.2017 RM'000
Retakaful of takaful contracts	106,181	98,529

15. TAKAFUL CERTIFICATE LIABILITIES

<u>Family takaful fund</u> 30.06.2018	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for outstanding claims reported by certificate holders	28,713	(21,347)	7,366
Actuarial reserves	108,494	(84,834)	23,660
Participants' investment account ("PIA")	228,667	-	228,667
Net asset value attributable to certificate holders	191,143	-	191,143
Accumulated surplus	41,748	-	41,748
	<u>598,765</u>	<u>(106,181)</u>	<u>492,584</u>

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

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1.1.2018	520,598	(98,529)	422,069
Benefits intimated during the period	55,681	(23,360)	32,321
Benefits paid during the period	(49,828)	19,151	(30,677)
Increase in liabilities due to:			
Portfolio movements	55,550	(511)	55,039
Change in assumptions and basis	3,251	(2,932)	319
Surplus arising during the period	13,513	-	13,513
At 30.06.2018	<u>598,765</u>	<u>(106,181)</u>	<u>492,584</u>

<u>Family takaful fund</u> 31.12.2017	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for outstanding claims reported by certificate holders	22,861	(17,138)	5,723
Actuarial reserves	101,738	(81,391)	20,347
Participants' investment account ("PIA")	197,142	-	197,142
Net asset value attributable to certificate holders	170,622	-	170,622
Accumulated surplus	28,235	-	28,235
	<u>520,598</u>	<u>(98,529)</u>	<u>422,069</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

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

<u>Family takaful fund</u>	Gross RM'000	Retakaful RM'000	Net RM'000
At 1.1.2017	426,453	(96,609)	329,844
Benefits intimated during the year	89,839	(39,943)	49,896
Benefits paid during the year	(85,823)	37,422	(48,401)
Increase in liabilities due to:			
Portfolio movements	94,844	(24,212)	70,632
Surplus allocated to participants during the year	16,245	-	16,245
Change in assumptions and basis	(23,230)	24,813	1,583
Surplus arising during the period	2,270	-	2,270
At 31.12.2017	<u>520,598</u>	<u>(98,529)</u>	<u>422,069</u>

<u>Company</u> 30.06.2018	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for outstanding claims reported by certificate holders	28,713	(21,347)	7,366
Actuarial reserves	108,494	(84,834)	23,660
Participants' investment account ("PIA")	228,667	-	228,667
Net asset value attributable to certificate holders	187,504	-	187,503
Accumulated surplus	41,748	-	41,748
Unallocated surplus	3,801	-	3,801
Other comprehensive income fair value reserves	(5,624)	-	(5,624)
	<u>593,303</u>	<u>(106,181)</u>	<u>487,122</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

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

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1.1.2018	538,759	(98,529)	440,230
Benefits intimated during the period	55,681	(23,360)	32,321
Benefits paid during the period	(49,828)	19,151	(30,677)
Increase in liabilities due to:			
Portfolio movements	55,550	(511)	55,039
Change in assumptions and basis	3,251	(2,932)	319
Net surplus arising during the period	13,513	-	13,513
Surplus distributable to participants	(17,325)	-	(17,325)
Other comprehensive income fair value loss for the period	(6,813)	-	(6,813)
Deferred tax relating to other comprehensive income fair value loss	515	-	515
At 30.06.2018	<u>593,303</u>	<u>(106,181)</u>	<u>487,122</u>

<u>Company</u>	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2017			
Provision for outstanding claims reported by certificate holders	22,861	(17,138)	5,723
Actuarial reserves	101,738	(81,391)	20,347
Participants' investment account ("PIA")	197,142	-	197,142
Net asset value attributable to certificate holders	166,983	-	166,983
Accumulated surplus	28,235	-	28,235
Unallocated surplus	21,126	-	21,126
AFS reserves	674	-	674
	<u>538,759</u>	<u>(98,529)</u>	<u>440,230</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

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

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1.1.2017	443,032	(96,609)	346,423
Benefits intimated during the year	89,839	(39,943)	49,896
Benefits paid during the year	(85,823)	37,422	(48,401)
Increase in liabilities due to:			
Portfolio movements	94,844	(24,212)	70,632
Change in assumptions and basis	(23,230)	24,813	1,583
Deficit arising during the year	2,270	-	2,270
Surplus distributable to participants	17,382	-	17,382
AFS fair value gain for the year	501	-	501
Deferred tax relating to AFS fair value gain	(56)	-	(56)
At 31.12.2017	<u>538,759</u>	<u>(98,529)</u>	<u>440,230</u>

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16. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2018, as prescribed under the Risk-Based Capital Framework for Takaful Operators ("RBCT") is provided below:

30.06.2018	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital			
Share capital	135,000	-	135,000
Accumulated losses	(80,918)	-	(80,918)
Valuation surplus maintained in the takaful funds	-	32,419	32,419
	<u>54,082</u>	<u>32,419</u>	<u>86,501</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	(678)	8	(670)
Redeemable preference shares	20,000	-	20,000
	<u>19,322</u>	<u>8</u>	<u>19,330</u>
Deductions			
Intangible assets	(7,074)	-	(7,074)
Deferred tax assets	(1,771)	-	(1,771)
	<u>(8,845)</u>	<u>-</u>	<u>(8,845)</u>
Capital Available	<u>64,559</u>	<u>32,427</u>	<u>96,986</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(26,470)	(26,470)
Total Capital Available	<u>64,559</u>	<u>5,957</u>	<u>70,516</u>

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16. REGULATORY CAPITAL REQUIREMENT (CONTINUED)

31.12.2017	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital			
Share capital	135,000	-	135,000
Accumulated losses	(81,200)	-	(81,200)
Valuation surplus maintained in the takaful funds	-	13,780	13,780
	<u>53,800</u>	<u>13,780</u>	<u>67,580</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	1,798	83	1,881
Redeemable preference shares	20,000	-	20,000
	<u>21,798</u>	<u>83</u>	<u>21,881</u>
Deductions			
Intangible assets	(8,092)	-	(8,092)
	<u>(8,092)</u>	<u>-</u>	<u>(8,092)</u>
Capital Available	<u>67,506</u>	<u>13,863</u>	<u>81,369</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(8,655)	(8,655)
Total Capital Available	<u>67,506</u>	<u>5,208</u>	<u>72,714</u>