

INSURANS ISLAM TAIB FAMILY TAKAFUL SDN BHD
(Incorporated in Brunei Darussalam)

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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INSURANS ISLAM TAIB FAMILY TAKAFUL SDN BHD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and audited financial statements for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company consists of family takaful businesses. There has been no significant change in the nature of this activity during the financial year.

RESULTS

	\$
Retained earnings at the beginning of the year	4,786,871
Profit for the year	1,891,505
Dividends paid/payable	(287,236)
Transfer to general reserve	(662,027)
Retained earnings at the end of the year	<u>5,729,113</u>

DIVIDEND

Dividends paid/payable during the financial year, in respect of the financial year ended:

	\$
December 31, 2016	<u>287,236</u>

Subsequent to the financial year end the directors do not recommend any dividend to be declared and paid in respect of the financial year ended December 31, 2017.

RESERVES

There were no transfers to or from reserves during the financial year other than that shown in the attached financial statements. There were no transfers to reserves subsequent to year end and to the date of this report.

DIRECTORS

The directors in office during the financial year and at the date of this report are:

Yang Berhormat Dato Seri Paduka Dr. Haji Mohd Amin Liew bin Abdullah - Chairman

Yang Mulia Dato Paduka Ahmaddin bin Haji Abdul Rahman

Yang Mulia Awang Haji Osman bin Haji Md. Jair - Managing Director

Yang Mulia Awang Ainadin Cader

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman

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ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND/OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND/OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital or debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

AUDITORS

The auditors, Deloitte & Touche, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD



DIRECTOR

DIRECTOR

Brunei Darussalam
Date: March 30, 2018

REPORT OF THE SHARIAH ADVISORY COMMITTEE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد خاتم النبيين وعلى آله وصحبه أجمعين

To the Shareholders of Insurans Islam TAIB Family Takaful Sdn. Bhd.

السلام عليكم ورحمة الله وبركاته

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Insurans Islam TAIB Family Takaful Sdn. Bhd. ("IITFT") during the year ended December 31, 2017. We have also conducted our review to form an opinion as to whether IITFT has complied with Shariah Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us.

The IITFT management is responsible for ensuring that the financial institution conducts its business in accordance with Shariah Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of IITFT, and to report to you.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by IITFT.


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 IITFT has not violated Shariah Rules and Principles.

In our opinion:

- a) The contracts, transactions and dealings entered into by IITFT during the year ended December 31, 2017 that we have reviewed are in compliance with the Shariah Rules and Principles;
- b) 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 Rules and Principles; and
- c) During the year the company has derecognized Shariah non-compliant income specifically derived from conventional banks from the statement of Profit or Loss and Other Comprehensive Income amounting to \$195 (2016: \$13,356) and has designated to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

والله ولي التوفيق والهداية



Yang Berhormat Pehin Orang Kaya
Paduka Seri Utama Dato Paduka Seri Setia
Awang Haji Salim Bin Haji Besar
Chairman



Yang Mulia Awang Haji Dennie
bin Haji Abdullah
Member



Yang Mulia Awang Haji Mas Reduan
bin Haji Jumat
Member



Yang Mulia Dayang Hajah Noorrafidah
binti Sulaiman
Secretary and Member

Yang Mulia Awang Haji Harun bin Haji Junid has resigned from the position of Deputy Chairman of the Shariah Advisory Committee on January 31, 2018.

Brunei Darussalam
Date: March 30, 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

INSURANS ISLAM TAIB FAMILY TAKAFUL SDN BHD (Incorporated in Brunei Darussalam)

Opinion

We have audited the financial statements of Insurans Islam TAIB Family Takaful Sdn Bhd (the “company”) which comprise the statement of financial position of the company as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of policyholders’ surplus and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies, as set out on pages 9 to 72.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act Cap. 39 (the “Act”), the Takaful Order 2008 (the “Order”) and International Financial Reporting Standards (“IFRS”) so as to give a true and fair view of the financial position of the company as at December 31, 2017 and of the financial performance, changes in equity, changes in policyholders’ surplus and cash flows of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the requirements of the Code of Ethics for Professional Accountants (“The Code”) issued by the International Ethics Standards Boards for Accountants (“IESBA”) together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and The Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the Directors’ Report and the Report of the Shariah Advisory Committee, as set out on pages 1 to 5.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Act, the Order and with IFRS and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act and the Order to be kept by the company have been properly kept in accordance with the provisions of the Act and the Order. We have obtained all the information and explanations we required.



DELOITTE & TOUCHE
Certified Public Accountants



HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: March 30, 2018

Statement of profit or loss and other comprehensive income
Year ended 31 December 2017

	Note	31.12.2017			31.12.2016		
		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
Gross takaful contributions							
Changes in unearned contribution reserves	10(c)	–	5,864,610	5,864,610	–	6,775,720	6,775,720
		–	157,918	157,918	–	1,718,313	1,718,313
Gross earned contributions	10(c)	–	6,022,528	6,022,528	–	8,494,033	8,494,033
Contributions ceded to retakaful							
Changes in unearned retakaful contribution reserves	10(c)	–	(861,001)	(861,001)	–	(1,246,836)	(1,246,836)
		–	(111,000)	(111,000)	–	(562,957)	(562,957)
Earned contributions ceded to retakaful	10(c)	–	(972,001)	(972,001)	–	(1,809,793)	(1,809,793)
Net earned contributions	10(c)	–	5,050,527	5,050,527	–	6,684,240	6,684,240
Investment income	18	2,404,311	3,135,851	5,540,162	–	3,067,320	3,067,320
Other operating income	19	176,284	385,686	561,970	798,971	150,256	949,227
Other revenue		2,580,595	3,521,537	6,102,132	798,971	3,217,576	4,016,547
Gross claim and benefits paid	10(a)	–	(432,778)	(432,778)	–	(1,815,505)	(1,815,505)
Gross claim and benefits recovered from retakaful	10(a)	–	360,801	360,801	–	385,738	385,738
Net changes to takaful contract liabilities		–	(3,358,791)	(3,358,791)	–	(1,701,963)	(1,701,963)
Net benefits and claims		–	(3,430,768)	(3,430,768)	–	(3,131,730)	(3,131,730)

The accompanying notes form an integral part of these financial statements

Statement of profit or loss and other comprehensive income (cont'd...)
Year ended 31 December 2017

Note	31.12.2017			31.12.2016		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
					Restated	Restated
Wakalah expense	–	(175,501)	(175,501)	–	(411,528)	(411,528)
Management expenses	(2,748,289)	(612,384)	(3,360,673)	(2,194,296)	(977,235)	(3,171,531)
Change in expense liabilities	(266,233)	–	(266,233)	1,121,458	–	1,121,458
Other gains and losses	(221,928)	(390,182)	(612,110)	–	(1,617,210)	(1,617,210)
Total other expenses	(3,236,450)	(1,178,067)	(4,414,517)	(1,072,838)	(3,005,973)	(4,078,811)
Operating (loss) profit before surplus transfers	(655,855)	3,963,229	3,307,374	(273,867)	3,764,113	3,490,246
Surplus attributable to operator	3,306,936	(3,306,936)	–	1,374,472	(1,374,472)	–
Surplus attributable to participants' fund	–	(656,293)	(656,293)	–	(2,389,641)	(2,389,641)
Profit before taxation	2,651,081	–	2,651,081	1,100,605	–	1,100,605
Tax expense	(759,576)	–	(759,576)	(143,149)	–	(143,149)
Net profit for the year	1,891,505	–	1,891,505	957,456	–	957,456

The accompanying notes form an integral part of these financial statements

Statement of profit or loss and other comprehensive income (cont'd...)
Year ended 31 December 2017

	31.12.2017			31.12.2016		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	Restated	Restated
Net profit for the year	1,891,505	—	1,891,505	957,456	—	957,456
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of AFS financial assets	—	533,620	533,620	—	214,926	214,926
Net foreign exchange revaluation of AFS financial assets	—	(1,035,792)	(1,035,792)	—	350,822	350,822
Other comprehensive income attributable to participants' fund	—	502,172	502,172	—	(565,748)	(565,748)
Total comprehensive income for the year	1,891,505	—	1,891,505	957,456	—	957,456

The accompanying notes form an integral part of these financial statements

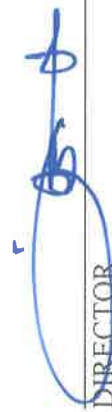
Statement of financial position
As at 31 December 2017

Note	31.12.2017			31.12.2016		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
Assets						
Plant and equipment	4	768,501	—	519,930	—	519,930
Investments	5	24,147,620	36,592,525	—	53,992,355	53,992,355
Retakaful certificate assets	10	—	263,873	—	554,127	554,127
Takaful certificate receivables	6	—	163,889	—	811,564	811,564
Other receivables	7	291,493	13,053,558	6,337,142	2,368,363	1,355,658
Deposits and placements	8	9,000,000	2,000,000	17,000,000	159,621	17,159,621
Cash and cash equivalents	9	5,968,228	4,260,261	2,087,500	7,515,194	9,602,694
Total assets		40,175,842	56,334,106	25,944,572	65,401,224	83,995,949
Liabilities						
Takaful certificate liabilities	10	—	41,350,468	—	41,624,222	41,624,222
Takaful certificate payables	11	—	218,470	—	611,249	611,249
Expense liabilities	12	6,363,876	—	6,097,643	—	6,097,643
Deferred tax liabilities	13	42,053	—	—	—	—
Other payables	14	13,930,833	2,490,030	1,858,882	9,044,697	3,553,732
Current tax liabilities		545,880	—	299,116	—	299,116
Total liabilities		20,882,642	44,058,968	8,255,641	51,280,168	52,185,962

The accompanying notes form an integral part of these financial statements

Statement of financial position (cont'd...)
As at 31 December 2017

Note	31.12.2017		31.12.2016	
	Takaful Operator	Takaful Fund	Takaful Operator	Takaful Fund
	BND	BND	BND	BND
15	–	12,275,138	–	14,121,056
Participants' fund				
Equity				
Share capital	8,000,002	–	8,000,002	–
General reserve	5,564,085	–	4,902,058	–
Retained earnings	5,729,113	–	4,786,871	–
Total shareholders' equity	19,293,200	–	17,688,931	–
Total liabilities, equity and participants' fund	40,175,842	56,334,106	25,944,572	65,401,224
		83,802,774		83,995,949


 DIRECTOR



DIRECTOR

The accompanying notes form an integral part of these financial statements

Statement of policyholders' surplus
As at 31 December 2017

	Takaful Fund	
	31.12.2017	31.12.2016
	BND	BND
Surplus balance at beginning of year	14,121,056	13,390,792
Surplus for the current financial year	656,293	2,389,641
AFS reserve for the current financial year	(502,172)	565,748
Total surplus at the end of year	14,275,177	16,346,181
Distribution/transfer to policy holders	(2,000,039)	(2,225,125)
Balance of retained surplus at end of year	12,275,138	14,121,056

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
Year ended 31 December 2017

	Share capital	General reserve	Retained earnings	Total
	BND	BND	BND	BND
At 1 January 2016	8,000,002	5,104,905	5,346,738	18,451,645
Total comprehensive income for the year				
Profit for the year	—	—	957,456	957,456
Transactions with owners, recognised directly in equity:				
Transfer to general reserve	—	(202,847)	(335,110)	(537,957)
Dividends declared	—	—	(1,182,213)	(1,182,213)
At 31 December 2016 and 1 January 2017	8,000,002	4,902,058	4,786,871	17,688,931
Total comprehensive income for the year				
Profit for the year	—	—	1,891,505	1,891,505
Transactions with owners, recognised directly in equity:				
Transfer to general reserve	—	662,027	(662,027)	—
Dividends paid	—	—	(287,236)	(287,236)
At 31 December 2017	8,000,002	5,564,085	5,729,113	19,293,200

The accompanying notes form an integral part of these financial statements

Statement of cash flows
Year ended 31 December 2017

	31.12.2017	31.12.2016
	BND	BND
Cash flows from operating activities		
Profit before taxation	2,651,081	1,100,605
Adjustments for:		
Surplus transferred to participants' fund	656,293	2,389,641
Increase (decrease) in expense liabilities	266,233	(1,121,458)
Net change in provision for takaful contracts	(2,000,039)	(2,110,353)
Dividend and profit income	(4,254,667)	(2,638,307)
Net fair value gain from investment	(1,285,495)	(429,013)
Impairment losses on investment	—	991,414
Allowance for impairment of takaful certificate receivables	103,406	—
Reversal for retirement benefit obligation	—	(45,038)
Depreciation	136,678	67,731
Gain on disposal of investment	—	(204,194)
Reversal of impairment losses on takaful certificate receivables	—	(155,184)
	(3,726,510)	(2,154,156)
Changes in working capital:		
Retakaful assets	290,254	1,129,840
Takaful receivables	544,269	1,091,334
Deferred acquisition commission	—	106,364
Other receivables	717,781	10,052,324
Takaful certificate liabilities	(273,754)	(4,347,362)
Takaful payables	(392,779)	(696,077)
Other payables	159,957	1,390,794
Cash (used in)/generated from operations	(2,680,782)	6,573,061
Income taxes paid	(470,759)	(745,949)
Net cash (used in)/from operating activities	(3,151,541)	5,827,112
Cash flows from investing activities		
Dividend and profit received	4,254,667	2,638,307
Acquisition of deposits and placements	6,159,621	(7,000,361)
Acquisition of investments	(5,964,467)	(6,238,772)
Proceeds from disposal of investments	—	1,204,194
Acquisition of plant and equipment	(385,249)	(202,111)
Dividend paid	(287,236)	(1,182,213)
Net cash from/(used in) investing activities	3,777,336	(10,780,956)
Net increase/(decrease) in cash and cash equivalents	625,795	(4,953,844)
Cash and cash equivalents at 1 January	9,602,694	14,556,538
Cash and cash equivalents at 31 December	10,228,489	9,602,694

The accompanying notes form an integral part of these financial statements

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised to be issued by the Board of Directors on March 30, 2018.

1. Domicile and activity

Insurans Islam TAIB Family Takaful Sdn Bhd (the “Company”) is a Company incorporated in Brunei Darussalam. The address of the Company’s registered office is Head Office, Bangunan Suria, Unit 5, 6 & 7, Kiulap, Bandar Seri Begawan BE1518, Brunei Darussalam.

The financial statements of the Company as at and for the year ended 31 December 2017 comprise the Takaful Operator (“Operator”) and the Takaful Fund (“Fund”) (together referred to as the “Company”).

The principal activity of the Company consist of the operation of Family Takaful business. There has been no significant change in the nature of this activity during the financial year. The immediate holding Company is Insurans Islam TAIB Holdings Sdn Bhd (IITHSB) and ultimate holding Company is Perbadanan Tabung Amanah Islam Brunei (TAIB).

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as required by the Takaful Order 2008 (“TO”) including certain Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) financial accounting standards (“FAS”) prescribed in the AMBD/ITSCM/2014/1 Guidelines on Financial Reporting for Takaful Operator issued by Autoriti Monetari Brunei Darussalam (AMBD).

The following AAOIFI financial accounting standards were applied in the financial statements:

AAOIFI FAS 12	General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies;
AAOIFI FAS 13	Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies;
AAOIFI FAS 15	Provisions and Reserves in Islamic Insurance Companies (disclosures).

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful funds it manages and controls in accordance with the requirements of IFRS 10 *Consolidated Financial Statements*. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator and Family Takaful Fund are supplementary financial information presented in accordance with the requirements of Takaful Order, 2008 in Brunei to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family Takaful Fund include only the assets, liabilities, income and expenses of the Family Takaful Fund that is set up, managed and controlled by the Takaful Operator.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Brunei Darussalam dollars, which is the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described in note 3.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Transfers between the different levels are discussed in Note 26.

Further information about assumptions made in measuring fair value is included in Note 26.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 Basis of consolidation

Takaful Fund

The Takaful Fund is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the funds are included in the financial statements from the date that control commences until the date the control ceases.

Transactions eliminated on consolidation

Intra-fund balances and transactions, and any unrealised income and expenses arising from intra-fund transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's yield in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of the Company at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective yield and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

3.3 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any profit in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at FVTPL if it is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at FVTPL comprise equity and fixed income securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective yield method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value. Bank overdrafts that are repayable on demand that form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. AFS financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

AFS financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's Takaful contract liabilities and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective yield method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Subsequent costs*

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Computer – hardware	20%
Computer – software	33.33%
Furniture, fixtures and fittings	20%
Renovations	10%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of yield on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.6 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective yield rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Yield on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.8 Takaful product classification

Takaful contracts are contracts under which the Company's underwrite/accept significant risks (by pooling the risks in a risk fund) from participants of Family Takaful Fund (the "participant") by agreeing to compensate the participant or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the participant or other beneficiary. Takaful risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified financial or non-financial variable. The Takaful Operator does not sell investment that transfer insignificant takaful risk.

Contracts where insignificant insurance risks are accepted by the funds are classified as either investment contracts or service contracts. There are currently no such contracts in the fund's portfolio.

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

Based on the Company's assessment, all Takaful contracts underwritten by the Company meet the definition of Takaful contracts and accordingly are classified as Takaful contracts.

3.9 Family Takaful Funds

(a) Family Takful Fund

The Family Takaful Fund is maintained in accordance with the Company's policies and includes the profits attributable to participants, which represents the participants' share of the return of investments (Mudharabah model). A proportion of 30:70 profit sharing is applied between the Takaful Operator and Takaful Fund respectively and are distributable in accordance with the terms and conditions prescribed by the Company and approved by the Shariah Advisory Committee.

(b) Family Mortgage/Financing Takaful Fund

The Family Mortgage/Financing Takaful fund consists of the participating and non-participating contracts based on the Mudharabah model. For the participating contracts, a profit sharing ratio of 99:1 between the Takaful Operator and Takaful Fund is applied and profits are distributable in accordance with the terms and conditions prescribed by the Company and approved by the Shariah Advisory Committee.

For non-participating contracts, a profit sharing ratio of 30:70 between the Takaful Operator and Takaful Fund is applied and profits are distributable in accordance with the terms and conditions prescribed by the Company and approved by the Shariah Advisory Committee.

(c) Family Group Takaful Fund

A profit sharing ratio of 60:40 between the Takaful Operator and Participants is applied when distributing the net surplus of the fund in accordance to the terms and conditions prescribed by the Company and approved by the Shariah Advisory Committee.

(d) Family Inwards Retakaful Fund

The net surplus from family inwards retakaful is determined after deducting the reserve for provisions for claims incurred but not reported (IBNR) and net claims incurred. The net surplus is distributable in accordance with terms and conditions prescribed by the Company and approved by the Shariah Advisory Committee.

(i) *Contribution income*

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Inward retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

(ii) *Unearned contribution reserves*

The Unearned Contributions Reserve (UCR) of Family Group Takaful Fund represents the portion of the gross contributions and the ceded contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period.

In determining the UCR at reporting date, the method used is pro-rata basis based on a time apportionment method for Family Group Takaful business.

(iii) *Provision for outstanding claims*

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the Company is notified. Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a family takaful certificate are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.
- (b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.
- (c) for group health business and family inwards retakaful, provision is made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at reporting date, using a mathematical method of estimation where historical claims experience are used to project future claims. As with all projections, there are elements of uncertainty and the projected claim may be different from actual.

(iv) *Certificate liabilities and bases for determining and allocating surplus or deficit*

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged.

For a one year family certificate or a one year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificates comprises contribution and claim liabilities with an appropriate allowance for provision for risk of adverse deviation ("PRAD") from the expected experience.

The family takaful certificate liabilities are derecognised when the certificates expires, discharged or are cancelled. At each reporting date, an assessment is made of whether the recognised family takaful certificate liabilities are adequate by using an existing liability adequacy test.

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by AMBD. All family takaful liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation. Contributions are accumulated in a fund, the accumulated amount, as declared to the participants are set as the liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

In respect of family takaful business risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

Surplus arising from the difference between the value of the family fund and the liabilities, including retained surplus, will be distributed to the participants after deducting the Takaful Operator's surplus share in accordance to the rules prescribed by the Company and approved by the Shariah Advisory Committee. The surplus will be classified as participants' funds in the statement of financial position.

If the difference between the value of the Family Fund and the liabilities results in a deficit, the deficit will be offset with any available unallocated surplus. Should the unallocated surplus not be sufficient to offset the deficit, the Takaful Operator shall make good on the deficit by way of a benevolent loan or Qard.

Surplus allocated to be paid out to participants are re-classified as liabilities on the statement of financial position. In the event it has not been collected by the policyholders within the terms and conditions prescribed by the Company, it is given to charity.

3.10 Retakaful

The fund cedes takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Family Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Family Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

Gains or losses on buying retakaful, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

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

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective yield method when accrued.

Assumed Retakaful risks

The fund also assumes retakaful risk in the normal course of business for Family Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

3.11 Liability adequacy test

The liability of the Company under takaful business is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of gross takaful contract provisions for unearned premiums and takaful claims. Where an expected shortfall is identified, additional provisions are made for unearned premiums or takaful claims and the deficiency is recognised in profit or loss.

3.12 Expenses liability

The contract underlying takaful operations defines a unique relationship between the Takaful Operator and participants of a takaful scheme. While Family Takaful Fund is responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations towards participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful funds as well as meet costs involved in managing the takaful business.

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure sustainability of the Family Takaful Funds to meet takaful benefits and the Takaful Operator's fund to support the takaful certificates for the full term. These measures include the setting up of appropriate provisions for liabilities in the Takaful Operator's fund on behalf of participants in Family Takaful Funds, to ensure that adequate funds would be available to meet all contractual obligations and commitments as they fall due, with a reasonable level of certainty.

(i) Expenses liability of Family Takaful Fund

Expense liabilities are conducted separately in the Takaful Operator's fund. The expense liabilities in relation to Family Takaful business is determined based on the expected future expenses payable from the Takaful Operator in managing the Family Takaful fund for the full contractual obligation of the unexpired takaful certificates as at the end of the reporting date, less any expected income of the Takaful Operator. The method used to value expense liabilities in relation to family takaful business is consistent with the method used to value family takaful liabilities as detailed in Note 3.9 (iv) above.

3.13 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 yield method.

If there is objective evidence that the Takaful receivable is impaired, the Company reduces the carrying amount of the Takaful receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the 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.

Takaful receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.14 Other income

Profit income is recognised on a time proportion basis that takes into account the effective yield of the asset. Profits including the amount of amortisation of premium and accretion of discount rate are recognised on a time proportion basis taking into account the principle outstanding and the effective date over the period to maturity, when it is determined that such income will accrue to the Company.

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

Gains and losses arising on disposals of investments are credited or charged to profit or loss.

3.15 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans such as Tabung Amanah Pekerja (TAP) and Supplementary Contributory Pensions Fund (SCP) are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.16 Zakat

The Company is exempted from Zakat under the “tabi’ matbu” principle as advised by the Shariah Advisory Committee. According to this principle, since the holding Company, a statutory body, was incorporated under Perbadanan Tabung Amanah Islam Brunei Act, Chapter 163, and has no shareholder, it is not obligated to pay Zakat. The same applies to its subsidiaries.

3.17 Wakalah fee

The wakalah fee is an expense to the Family Takaful Funds and correspondingly recognised in the respective funds' profit or loss at an agreed percentage for each takaful certificate underwritten and are payable to the agents. This is in accordance with the principles of wakalah as approved by the Shariah Advisory Committee and is agreed between the participants and the Company.

Commission, acquisition costs and management expenses of the Family Takaful Funds are borne by the Takaful Operator and included as a component of wakalah fee.

3.18 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and effective yield rates may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of the existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Critical judgements made in applying accounting policies

The followings are judgements made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of AFS financial assets

Significant judgement is required to assess impairment for available-for-sale investments. The Company evaluates 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 flows.

(b) 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 below:

(i) Depreciation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets.

This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. It is currently estimated that the property, plant and equipment and intangible assets of the Company will not have any residual values.

(ii) Uncertainty in accounting estimates for family takaful certificate liabilities

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.

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

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

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(iii) Uncertainty in accounting estimates for takaful operator's expense liabilities

For single contribution products, the allowance is estimated based on actuarial present value of future maintenance expenses. For other products, provision is estimated based on discounted future net cash flows to the Company using an actuarial method consistent with that used for non-unit reserving called sterling reserves methodology.

The assumptions used are consistent with that used in the valuation of the family takaful certificate liabilities and the Company's expense assumptions are based on the Company's experience study with an appropriate allowance of PRAD.

(iv) Impairment of takaful certificate receivables

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

3.20 Adoption of new and revised standards issued but not yet effective

As at January 1, 2017 there were no new standards effective and relevant for the Company's operations for which adoption had a material impact on the Company's financial statements.

The following accounting standards amendments and interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for the Company. The Company intend to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 was issued in December 2014 to replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for financial periods beginning on or after 1 January, 2018.

The Company is still assessing the possible effect of the application of the above standard.

IFRS 16 Leases

IFRS 16 was issued in June 2016 and will supersede IAS 17 *Leases* and its associated interpretative guidance. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor IAS 17.

The standard is effective for financial periods beginning on or after 1 January, 2019.

The Company is still assessing the possible effect of the application of the above standard.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The standard is effective for financial periods beginning on or after 1 January, 2021.

The Company is still assessing the possible effect of the application of the above standard.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The standard is effective for financial periods beginning on or after 1 January, 2018.

The Company believes that the above interpretation will not have a significant impact on its financial statements.

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4. Plant and equipment

Company	Computer hardware and software	Furniture, fixtures and fittings	Renovations	Total
	BND	BND	BND	BND
Cost				
At 1 January 2016	17,807	5,434	401,174	424,415
Additions	193,748	—	8,363	202,111
Reclassification	(1,900)	62,272	(60,372)	—
At 31 December 2016	209,655	67,706	349,165	626,526
Additions	383,283	1,966	—	385,249
At 31 December 2017	592,938	69,672	349,165	1,011,775
Accumulated depreciation				
At 1 January 2016	(4,987)	(1,248)	(32,630)	(38,865)
Additions	(15,480)	(22,031)	(30,220)	(67,731)
At 31 December 2016	(20,467)	(23,279)	(62,850)	(106,596)
Additions	(88,188)	(13,574)	(34,916)	(136,678)
At 31 December 2017	(108,655)	(36,853)	(97,766)	(243,274)
Carrying amounts				
At 31 December 2016	189,188	44,427	286,315	519,930
At 31 December 2017	484,283	32,819	251,399	768,501

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5. Investments

		Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017				
Financial assets at FVTPL (designated)	(a)	24,147,620	22,168,925	46,316,545
AFS financial assets	(b)	–	14,423,600	14,423,600
		<u>24,147,620</u>	<u>36,592,525</u>	<u>60,740,145</u>
31.12.2016				
Financial assets at FVTPL (designated)	(a)	–	39,916,359	39,916,359
AFS financial assets	(b)	–	14,075,996	14,075,996
		<u>–</u>	<u>53,992,355</u>	<u>53,992,355</u>

(a) Financial assets at FVTPL (designated)

The financial assets designated at fair value through profit or loss (FVTPL) and its components are further analysed as follows:

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Quoted equity securities	7,426,256	–	7,426,256
Quoted fixed income securities	16,721,364	22,168,925	38,890,289
Financial assets at FVTPL	<u>24,147,620</u>	<u>22,168,925</u>	<u>46,316,545</u>
31.12.2016			
Quoted equity securities	–	3,995,170	3,995,170
Quoted fixed income securities	–	35,921,189	35,921,189
Financial assets at FVTPL	<u>–</u>	<u>39,916,359</u>	<u>39,916,359</u>

(b)

AFS financial assets

The available-for-sale (AFS) financial assets and its components are further analysed as follows:

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Unquoted equity securities	–	15,980,100	15,980,100
Less – impairment	–	(1,556,500)	(1,556,500)
AFS financial assets	–	14,423,600	14,423,600
31.12.2016			
Unquoted equity securities	–	15,632,496	15,632,496
Less – impairment	–	(1,556,500)	(1,556,500)
AFS financial assets	–	14,075,996	14,075,996

The movement in the allowance for impairment of AFS financial assets are as follows:

	Takaful Operator BND	Takaful Fund BND	Company BND
1.1.2016	–	565,086	565,086
Provision during the year	–	991,414	991,414
31.12.2016	–	1,556,500	1,556,500
Provision during the year	–	–	–
31.12.2017	–	1,556,500	1,556,500

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6. Takaful certificate receivables

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
Takaful Fund and Company		
Due from agents/brokers and co-takaful balances	116,673	664,146
Due from retakaful operators	558,864	555,660
	675,537	1,219,806
Less – impairment	(511,648)	(408,242)
	163,889	811,564

The movement in the allowance for impairment for takaful certificate receivables are as follows:

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
At the beginning of the year	408,242	563,426
Allowance for impairment	103,406	—
Recoveries during the year	—	(155,184)
At the end of the year	511,648	408,242

The Company and Fund's exposure to credit and currency risks, and impairment losses related to Takaful and other receivables are disclosed in note 26.

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7. Other Receivables

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Amount due from ultimate parent	—	94,910	94,910
Amount owing from parent Company	—	196	196
Amount owing from Takaful Operator of Family Takaful Fund	—	12,707,174	—
Derivative Assets*	148,548	—	148,548
Other receivables	142,945	251,278	394,223
	<u>291,493</u>	<u>13,053,558</u>	<u>637,877</u>
31.12.2016			
Amount due from ultimate parent	—	824,249	824,249
Amount owing from parent Company	84,354	68	84,422
Amount owing from Takaful Operator of Family Takaful Fund	—	1,148,366	—
Amount owing from Family Takaful Fund	6,201,481	—	—
Other receivables	51,307	395,680	446,987
	<u>6,337,142</u>	<u>2,368,363</u>	<u>1,355,658</u>

The amount due from related parties are unsecured, interest free and without fixed repayment terms. There is no allowance for doubtful debts arising from these balances.

* The account represents derivative assets amounting to \$148,548 (2016: \$NIL) as at December 31, 2017 arising from forward foreign exchange contracts. The Company utilises currency derivatives to hedge significant future transactions and cash flows. The derivative assets and liabilities are disclosed in Note 14.

8. Deposit and placements

As at the reporting date, the carrying amounts of short-term placements approximate their fair value.

Short-term placements are generally placed on short-term maturities of 6-24 months in duration.

Short-term placement include fixed deposit of B\$1,000,000 registered in favour of AMBD as a reserve in accordance with part III of the Takaful order, 2008 section 9(1).

9. Cash and cash equivalents

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Cash and bank balances	5,968,228	4,260,261	10,228,489
31.12.2016			
Cash and bank balances	2,087,500	7,515,194	9,602,694

As at the reporting date, the carrying amounts of cash and bank balances approximate their fair value.

10. Takaful certificate liabilities

The Takaful certificate liabilities are comprised the following:

		Takaful Fund and Company		
		Gross	Ceded to Retakaful	Net
		BND	BND	BND
31.12.2017				
Provision for outstanding claims	(a)	2,681,211	(256,850)	2,424,361
Family Takaful funds	(b)	38,175,084	—	38,175,084
Provision for unearned contributions	(c)	494,173	(7,023)	487,150
		41,350,468	(263,873)	41,086,595
31.12.2016				
Provision for outstanding claims	(a)	4,850,156	(436,104)	4,414,052
Family Takaful funds	(b)	36,121,975	—	36,121,975
Provision for unearned contributions	(c)	652,091	(118,023)	534,068
		41,624,222	(554,127)	41,070,095

(a) **Provision for outstanding claims**

The provision for outstanding claims and its movements are further analysed as follows:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
		BND	BND
31.12.2017			
Provision for claims incurred and admitted	806,435	(256,850)	549,585
Provision for incurred but not reported claims (IBNR)	1,874,776	=	1,874,776
Provision for outstanding claims	2,681,211	(256,850)	2,424,361
31.12.2016			
Provision for claims incurred and admitted	1,625,510	(183,344)	1,442,166
Provision for incurred but not reported claims (IBNR)	3,224,646	(252,760)	2,971,886
Provision for outstanding claims	4,850,156	(436,104)	4,414,052

Movement of provision for outstanding claims:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
		BND	BND
1.1.2016	8,434,526	(1,002,987)	7,431,539
Movement in claims reserve	1,815,505	(385,738)	1,429,767
Claims paid during the year	(5,399,875)	952,621	(4,447,254)
31.12.2016	4,850,156	(436,104)	4,414,052
Movement in claims reserve	432,778	(360,801)	71,977
Claims paid during the year	(2,601,723)	540,055	(2,061,668)
31.12.2017	2,681,211	(256,850)	2,424,361

(b) Family Takaful funds

The Family Takaful funds and its movements are further analysed as follows:

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
Family Takaful – participants account	27,310,572	26,730,359
Family Takaful – participants special account	7,055	10,225
Family Takaful - 100% Tabarru'	1,432,839	1,691,724
Family Takaful - mortgage	9,424,618	7,689,667
Total family Takaful funds	38,175,084	36,121,975

Movement of Family Takaful funds:

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
At the beginning of the year	36,121,975	35,166,654
Net earned contributions	4,213,551	3,950,682
Liabilities paid for death claims and benefits	(1,007,017)	(782,452)
Gross claim and benefits ceded to retakaful	463,036	477,334
Gross changes to takaful contract liabilities	(2,855,775)	(3,188,781)
Net surplus payable	(109,064)	–
Transfer from participants' fund	1,659,157	2,442,140
Actuarial surplus transferred out	(310,779)	(1,943,602)
At the end of the year	38,175,084	36,121,975

(c) Provision for unearned contributions

Movement of provision for unearned contributions:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
	BND	BND	BND
1.1.2016	2,370,404	(680,980)	1,689,424
Contributions written during the year	6,775,720	(1,246,836)	5,528,884
Contributions earned during the year	(8,494,033)	1,809,793	(6,684,240)
31.12.2016	652,091	(118,023)	534,068
Contributions written during the year	5,864,610	(861,001)	5,003,609
Contributions earned during the year	(6,022,528)	972,001	(5,050,527)
31.12.2017	494,173	(7,023)	487,150

11. Takaful certificate payables

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
Due to retakaful companies	218,470	611,249

Takaful certificate payables are current.

The carrying amounts disclosed above approximate their fair values at the end of the reporting period.

12. Expense liabilities

	Takaful Operator and Company	
	31.12.2017	31.12.2016
	BND	BND
Expense liabilities	6,363,876	6,097,643

The method used to value its expense liability is discussed in Note 3.12 of these financial statements.

The movement in expense liabilities is as follows:

	Takaful Operator and Company
	BND
1.1.2016	7,219,101
Movement in provision for unexpired expense reserve	(1,121,458)
31.12.2016	6,097,643
Movement in provision for unexpired expense reserve	266,233
31.12.2017	6,363,876

13. Deferred tax liabilities

Deferred tax liability arises mainly from the temporary difference relating to unrealized foreign exchange differences and from the excess of tax over book depreciation of property, plant and equipment.

	Takaful Operator and Company	
	31.12.2017	31.12.2016
	BND	BND
At the beginning of the year	—	88,076
Origination (reversal) of temporary differences (Note 23)	42,053	(88,076)
At the end of the year	42,053	—

14. Other payables

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2017			
Advanced contributions from participants	—	618,247	618,247
Profit payable to participants	—	923,841	923,841
Provision for unutilised leave	23,376	—	23,376
Amount owing to parent	438,076	—	438,076
Amount owing to Family Takaful Fund	12,707,174	—	—
Amount owing to Takaful Operator of General Takaful Fund	156,917	—	156,917
Amount owing to General Takaful Fund	9,727	860,371	870,098
Other creditors	595,563	87,571	683,134
	13,930,833	2,490,030	3,713,689
31.12.2016			
Advanced contributions from participants	—	1,529,090	1,529,090
Profit payable to participants	—	225,230	225,230
Provision for unutilised leave	30,364	—	30,364
Amount owing to parent	32,676	17,580	50,256
Amount owing to Takaful Operator of Family Takaful Fund	—	6,201,481	—
Amount owing to Family Takaful Fund	1,148,366	—	—
Amount owing to fellow subsidiary	67,448	—	67,448
Derivative liabilities*	—	168,325	168,325
Other creditors	580,028	902,991	1,483,019
	1,858,882	9,044,697	3,553,732

The amount due to related parties are unsecured, interest free and without fixed repayment terms.

* The account represents derivative liabilities amounting to \$NIL (2016: \$168,325) as at December 31, 2017 arising from forward foreign exchange contracts. The Company utilises currency derivatives to hedge significant future transactions and cash flows.

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	Contract or underlying principal amount	Gross positive fair value	Gross negative fair value	Contract or underlying principal amount	Gross positive fair value	Gross negative fair value
Foreign exchange derivatives:						
Forwards	15,120,758	148,548	—	10,677,340	—	168,325

15. Participants' fund

Participants' fund balance at end of reporting period comprises the following:

	<u>31.12.2017</u>	<u>31.12.2016</u>
	<u>BND</u>	<u>BND</u>
Family Takaful Fund	12,275,138	14,121,056

The participants' fund movements are analysed as follows:

	<u>Takaful Fund and Company</u>	
	<u>31.12.2017</u>	<u>31.12.2016</u>
	<u>BND</u>	<u>BND</u>
		Restated
Accumulated surplus		
At beginning of year	13,116,689	12,952,173
Underwriting surplus	3,963,229	3,764,113
Surplus attributed to operator	(3,306,936)	(1,374,472)
Distribution/transfer to policyholders	(2,000,039)	(2,225,125)
At end of year	11,772,943	13,116,689
Fair value reserve		
At beginning of year	1,004,367	438,619
Net gains on fair value changes	533,620	214,926
Net (loss) gain on foreign exchange changes	(1,035,792)	350,822
At end of year	502,195	1,004,367
Participants' fund at end of the year	12,275,138	14,121,056

16. Share capital

	31.12.2017	31.12.2016
	Number of	Number of
	shares	shares
Company		
Authorised ordinary shares	20,000,000	20,000,000
	BND	BND
Issued and paid up		
Value of ordinary shares	8,000,002	8,000,002

Capital management

The Company's capital management policy aims to:

- maintain a strong capital base to sustain and grow the business so as to uphold investors, creditors and market confidence;
- comply with the regulatory capital requirements for the Company; and
- provide an adequate return to shareholders through prudent underwriting of Takaful risks and optimising investment returns within the risk parameters established by the Board.

The Company determines the amount of capital in accordance with business expansion needs as well as to meet the regulatory capital requirements for the Company.

The Board monitors the return on shareholders' equity, which is defined as net profit after tax divided by total shareholders' equity, and the level of dividends to ordinary shareholders. In addition, the Board also establishes and monitors the Capital Adequacy Ratio of the Company, defined in the Takaful Regulations as the total financial resources divided by total risk requirements of the insurer.

There was no significant change in the Company's approach to capital management during the year.

17. General reserve

The general reserve is set up in accordance with the company's policies to aid participants in the event of any deficit.

18. Investment income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Dividend income	548,068	2,089,943	2,638,011
Fair value gains	238,488	1,047,007	1,285,495
Gain/(loss) on disposal of investment	1,617,755	(1,099)	1,616,656
	<u>2,404,311</u>	<u>3,135,851</u>	<u>5,540,162</u>
31.12.2016			
Dividend income	—	2,434,113	2,434,113
Fair value gains		429,013	429,013
Gain on disposal of investment	—	204,194	204,194
	<u>—</u>	<u>3,067,320</u>	<u>3,067,320</u>

19. Other operating income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Miscellaneous income	152,763	385,686	538,449
Service charges	23,521	—	23,521
	<u>176,284</u>	<u>385,686</u>	<u>561,970</u>
31.12.2016 (Restated)			
Miscellaneous income	783,580	150,256	933,836
Service charges	15,391	—	15,391
	<u>798,971</u>	<u>150,256</u>	<u>949,227</u>

20. Management expense

	Takaful Operator		Takaful Fund		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	BND	BND	BND	BND	BND	BND
Management fees payable to parent Company	1,021,932	350,078	—	—	1,021,932	350,078
Salaries, bonuses and other employee benefits	950,956	1,229,196	—	—	950,956	1,229,196
Others expenses	307,027	194,150	612,384	977,235	919,411	1,171,385
Depreciation	136,678	67,733	—	—	136,678	67,733
Legal, professional and audit fees	121,857	110,350	—	—	121,857	110,350
Marketing and promotional costs	72,465	103,633	—	—	72,465	103,633
Utilities	71,374	73,656	—	—	71,374	73,656
Office rental expenses	66,000	65,500	—	—	66,000	65,500
	2,748,289	2,194,296	612,384	977,235	3,360,673	3,171,531

21. Change in expense liability

	Takaful Operator and Company	
	31.12.2017	31.12.2016
	BND	BND
(Increase) decrease in unexpired expense reserve	(266,233)	1,121,458

In the prior year, the Company carried out a valuation on its expense liabilities for the Family Takaful fund. This method was sustained during the year. The method used to value its expense liability is discussed in Note 3.12 of these financial statements.

22. Other gains and losses

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2017			
Impairment of takaful receivables (provision no longer required)	—	103,405	103,405
Foreign exchange losses	221,928	286,777	508,705
	<u>221,928</u>	<u>390,182</u>	<u>612,110</u>
31.12.2016 (Restated)			
Impairment loss on available-for-sale investment	—	991,414	991,414
Impairment of takaful receivables (provision no longer required)	—	(155,184)	(155,184)
Foreign exchange losses	—	780,980	780,980
	<u>—</u>	<u>1,617,210</u>	<u>1,617,210</u>

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23. Tax expense

	Takaful Operator and Company	
	31.12.2017	31.12.2016
Current year	545,880	299,116
Prior year under (over) provision	171,643	(67,891)
Deferred tax (income) expense (Note 13)	42,053	(88,076)
	759,576	143,149

Relationship between tax expense and accounting profit:

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:

	Takaful Operator and Company	
	31.12.2017	31.12.2016
	BND	BND
Profit before taxation	2,651,081	1,100,605
Tax calculated at the rate of 18.5% on the first B\$100,000 at one-quarter of the full rate, the next B\$150,000 at one-half of the full rate and the remaining profit at the full rate	490,450	299,655
Adjustments:		
Further deductions	(8,644)	(7,963)
Non-deductible expenses	25,378	12,531
Capital allowances	(71,271)	(36,101)
Tax threshold deduction and others	109,967	30,994
Provision for taxation in respect of current year's profit	545,880	299,116
Prior year under provision	171,643	(67,891)
Deferred tax (income) expense recognized	42,053	(88,076)
Tax expense charged to profit or loss account	759,576	143,149

The income tax for the Company is calculated based on the standard corporate tax rate of 18.5% of the estimated assessable profit for the financial year.

24. Related party disclosures

Transactions with key management personnel

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 Company's Executive and Non-Executive Directors are considered key management personnel. Other than disclosed below there were no transactions with Key Management Personnel during the year.

Other related party transactions

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the transactions with the Company's related parties are as follows:

	31.12.2017	31.12.2016
	BND	BND
Ultimate parent Company		
- Contributions received/ receivable	404,913	223,868
Parent Company		
- Management fees payable	1,021,932	350,078
Other related parties		
- Contributions received/ receivable	94,944	48,659
- Travelling expenses paid/ payable	6,534	647

The Company is 100% owned by Insurans Islam TAIB Holdings Sdn Bhd, a Company incorporated in Brunei Darussalam under the Companies Act.

Insurans Islam TAIB Holdings Sdn Bhd, is 100% owned by Perbadanan Tabung Amanah Islam Brunei, the ultimate parent, a statutory body established under the Perbadanan Tabung Amanah Islam Act (Cap.163).

The amount owing to/from the holding Company and related parties are unsecured, interest free and without fixed repayment terms.

The management is of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

25. Takaful risk management

The risk under any one Takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a Takaful contract, this risk is random and therefore unpredictable.

For a portfolio of Takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its Takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the Takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Takaful events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar Takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its Takaful underwriting strategy to diversify the type of Takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate Takaful risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

The concentration of takaful risk by gross takaful contribution is summarised below:

	Takaful Fund and Company	
	31.12.2017	31.12.2016
	BND	BND
Concentration of gross takaful contribution:		
Family Takaful Fund - Saving Plan and Financing/Mortgage	5,146,565	5,158,448
Family Group Takaful Fund - Annual Policy	718,045	1,483,209
Family Inwards Retakaful Fund - Annual Policy	—	134,063
	5,864,610	6,775,720

(i) Family Takaful Fund

The key coverage for the Family Takaful contracts

The key coverage for the Family Takaful contracts are death, total and permanent disability, hospital and surgical benefits, personal accident benefits, daily hospitalisation cash allowance benefit, dread disease benefit, waiver of contribution benefits and survival benefits (for annuity).

Concentration of Family Takaful risk

The following gives details of the Fund's concentration of risks based on gross takaful contribution by main product categories:

	Gross	Ceded to	Net
	BND	Retakaful	BND
	BND	BND	BND
31.12.2017			
Family Takaful Fund	5,146,565	(757,998)	4,388,567
Family Group Takaful Fund	718,045	(103,003)	615,042
Family Inwards Retakaful Fund	—	—	—
	5,864,610	(861,001)	5,003,609
31.12.2016			
Family Takaful Fund	5,158,448	(817,983)	4,340,465
Family Group Takaful Fund	1,483,209	(428,853)	1,054,356
Family Inwards Retakaful Fund	134,063	—	134,063
	6,775,720	(1,246,836)	5,528,884

Key assumptions

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

Mortality and morbidity rates

This is significant for contracts with significant coverage for death, total permanent disability and critical illness and the increase in the mortality or morbidity would have direct impact on the liability.

Discount rate

As the liabilities are the present value of future cash flows, both income and outgo, a decrease in discount rate would have an increasing impact on the liabilities and vice-versa.

Sensitivities

The Family Takaful claims liabilities are sensitive to the key assumptions from the previous page. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities.

	Mortality and morbidity	
	Increase	Decrease
	+10%	-10%
2017		
Gross Participant risk fund (“PRF”) liabilities	462,542	(462,718)
Net PRF liabilities	381,123	(381,164)
2016		
Gross Participant risk fund (“PRF”) liabilities	3,691,489	(2,525,929)
Net PRF liabilities	3,215,424	(2,062,812)

26. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

a) Shariah non-compliance risk

- a. Shariah non-compliance risk is the risk that arises from failure to comply with the Shariah rules and principles prescribed by Shariah Advisory Committee. Shariah compliance is considered as falling within the higher priority category in relation to other identified risks.
- b. The Company ensures that this risk is managed by ensuring that Shariah rules and principles are complied with at all times as advised and monitored by the Shariah Advisory Committee of the Company with respect to the products and activities. This means that Shariah compliance considerations are taken into account whenever the Company accepts deposits and ventures into investment funds, provides finance and carries out investment services for their customers.
- c. The Company shall ensure that their contract documentation complies with Shariah rules and principles with regard to formation, termination and elements possibly affecting contract performance such as fraud, misrepresentation, duress or any other rights and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations as and when they fall due.

The Company’s portfolio of debt securities, short-term and other investments are subject to credit risk. This risk is defined as the potential loss resulting from adverse changes in a borrower’s ability to repay the debt. The Company’s objective is to earn competitive relative returns by investing in a diversified portfolio of securities. Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

The Company has Takaful and other receivables balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, the Company has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. Receivable balances are monitored on an on-going basis with the result that Company's exposure to bad debts is not significant.

Credit exposure

The table below shows the maximum exposure to credit risk for the components recognised in the statements of financial position.

	<u>31.12.2017</u>	<u>31.12.2016</u>
	BND	BND
Company		
AFS financial assets	14,423,600	14,075,996
FVTPL financial assets	46,316,545	39,916,359
Loans and receivables		
- Cash and cash equivalents	10,228,489	9,602,694
- Short-term placements	11,000,000	17,159,621
- Retakaful assets*	256,850	436,104
- Takaful and other receivables	801,766	2,167,222
	<u>83,027,250</u>	<u>83,357,996</u>

* Excludes unearned retakaful contribution

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Concentration of credit risk for the Company (by industry)

Company 31.12.2017	AFS Financial assets BND	Financial assets at FVTPL BND	Retakaful assets BND	Takaful and other receivables BND	Cash and cash equivalents BND	Short-term placements BND
Finance	—	9,673,827	256,850	—	10,228,488	11,000,000
General consumption	—	877,835	—	—	—	—
Manufacturing	—	3,121,570	—	—	—	—
Services	—	1,105,595	—	—	—	—
Construction & property	—	3,374,791	—	—	—	—
Others	14,423,600	28,162,927	—	801,766	—	—
	14,423,600	46,316,545	256,850	801,766	10,228,488	11,000,000
31.12.2016						
Finance	—	17,240,736	436,104	—	9,602,694	17,159,621
General consumption	—	437,424	—	—	—	—
Manufacturing	—	1,541,588	—	—	—	—
Services	—	3,281,893	—	—	—	—
Construction & property	—	2,740,188	—	—	—	—
Others	14,075,996	14,674,530	—	2,167,222	—	—
	14,075,996	39,916,359	436,104	2,167,222	9,602,694	17,159,621

Credit exposure by credit quality (excluding equity securities)

	AFS financial assets BND	FVTPL financial assets BND	Total BND
Company			
31.12.2017			
Islamic debt securities			
Rated AAA	—	395,555	395,555
Rated AA1 to AA3	—	8,698,395	8,698,395
Rated A1 to A3	—	11,886,807	11,886,807
Lower than A	—	5,905,809	5,905,809
Unrated – Others	—	12,003,723	12,003,723
	—	38,890,289	38,890,289
	AFS financial assets BND	FVTPL financial assets BND	Total BND
Company			
31.12.2016			
Islamic debt securities			
Rated AAA	—	708,438	708,438
Rated AA1 to AA3	—	4,915,553	4,915,553
Rated A1 to A3	—	11,390,559	11,390,559
Lower than A	—	6,253,660	6,253,660
Unrated - Others	—	12,652,979	12,652,979
	—	35,921,189	35,921,189

Aging analysis of takaful certificate receivables past due but not impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

	31.12.2017	31.12.2016
Company	BND	BND
Neither past due nor impaired	34,658	33,274
Past due 30 – 90 days	73,334	280,129
Past due 90 – 180 days	94,794	526,782
Past due more than 180 days	472,751	379,621
	675,537	1,219,806
Less - impairment	(511,648)	(408,242)
	163,889	811,564

Receivables amounting to B\$511,648 and B\$408,242 in 2017 and 2016, respectively, have been impaired and an allowance has been made to recognize this impairment.

The Company has not recognized impairment for the remaining receivables as there has not been significant change in the credit quality and the amounts are still considered recoverable. These amounts are mostly due to corporate clients who pay by instalment plans.

Offsetting financial assets and financial liabilities

No financial instruments are offset in the statements of financial position as they are no enforceable master netting agreements and similar arrangements in place.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity management process, as carried out within the Company and monitored by a designated team, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Maturity profile

The table below summarises the Company's financial and takaful assets and liabilities based on remaining maturities. Financial instruments are presented on a contractual cash flow basis whereas takaful assets and liabilities are presented based on expected cash flows.

Company As at 31 December 2017		Less than 3 months BND	> 3 – 6 months BND	> 6 – 12 months BND	> 1 – 3 years BND	> 3 – 5 years BND	Over 5 years BND	No specific maturity BND	Total BND
Assets									
AFS financial assets		–	–	–	–	–	–	14,423,600	14,423,600
Financial assets at FVTPL		267,844	–	–	6,201,787	5,865,229	25,343,562	7,426,256	46,316,545
Retakaful certificate assets		–	256,850	1,211,867	–	–	–	–	256,850
Takaful certificate receivables		38,098	125,791	–	–	–	–	–	163,889
Other receivables		95,106	531,171	–	11,600	–	–	–	637,877
Short-term placements		1,000,000	5,000,000	3,000,000	2,000,000	–	–	–	11,000,000
Cash and cash equivalents		–	–	–	–	–	–	10,228,489	10,228,489
		1,401,048	5,913,812	4,211,867	8,213,387	5,865,229	25,343,562	32,078,345	83,027,250
Liabilities									
Takaful certificate liabilities		175,076	54,869	422,914	–	–	–	40,697,609	41,350,468
Takaful certificate payables		2,914	215,556	–	–	–	–	–	218,470
Other payables		755,323	1,097,460	1,478,740	14,000	–	–	368,166	3,713,689
		933,313	1,367,885	1,901,654	14,000	–	–	41,065,775	45,282,627

Company	Less than 3 months BND	> 3 – 6 months BND	> 6 – 12 months BND	> 1 – 3 years BND	> 3 – 5 years BND	Over 5 years BND	No specific maturity BND	Total BND
As at 31 December 2016								
Assets								
AFS financial assets	—	—	—	—	—	—	14,075,996	14,075,996
Financial assets at FVTPL	—	—	276,351	3,822,282	6,881,350	24,941,206	3,995,170	39,916,359
Retakaful certificate assets	115,050	68,143	151	252,760	—	—	—	436,104
Takaful certificate receivables	313,403	498,161	—	—	—	—	—	811,564
Other receivables	446,988	—	—	908,670	—	—	—	1,355,658
Short-term placements	1,000,000	—	5,159,621	11,000,000	—	—	—	17,159,621
Cash and cash equivalents	—	—	—	—	—	—	9,602,694	9,602,694
	1,875,441	566,304	5,436,123	15,983,712	6,881,350	24,941,206	27,673,860	83,357,996
Liabilities								
Takaful certificate liabilities	1,013,056	208,468	477,811	80,050	—	—	39,844,837	41,624,222
Takaful certificate payables	163,762	213,454	8,616	225,417	—	—	—	611,249
Other payables	475,022	1,285,031	440,212	981,716	20,262	220,608	130,881	3,553,732
	1,651,840	1,706,953	926,639	1,287,183	20,262	220,608	39,975,718	45,789,203

d) Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (foreign currency risk) and market yield rates (yield rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

i) Yield rate risk

Effective yield rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market yield rates.

The Company is exposed to yield rate risk primarily through their investments in fixed income securities and deposit placements. These instruments have fixed rate and a change in yield rates at reporting date would not affect profit or loss.

The Company does not use derivative financial instruments to hedge its yield rate risks.

The Company's cash and cash equivalents and fixed income securities are exposed to fixed yield rates, hence any changes in yield rates will not have a material impact on the carrying amounts of the relevant assets. As such, no sensitivity has been performed.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the ordinary course of business, the Company may engage in foreign currency denominated transactions or invest in foreign currency equity or debt securities. As a result, the Company is exposed to movements in foreign currency exchange rates.

The Company utilises foreign exchange forward contracts to hedge against its foreign currency risk.

The following table sets out the Company's main exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Company.

Company As at 31 December 2017		<USD> BND	<MYR> BND	<HKD> BND	<THB> BND	<IDR> BND
Other investments		39,086,164	16,347,850	1,160,447	952,355	196,832
Company As at 31 December 2016						
Other investments		32,414,807	18,917,816	855,026	113,897	254,646

The analysis below is performed for possible movements in foreign currency rates showing the impact on profit before tax.

	Change in assumptions %	Impact on profit before tax BND	Change in assumptions %	Impact on profit before tax BND
31.12.2017				
USD	10%	3,908,616	(10%)	(3,908,616)
MYR	10%	1,634,785	(10%)	(1,634,785)
HKD	10%	116,045	(10%)	(116,045)
THB	10%	95,236	(10%)	(95,236)
IDR	10%	19,683	(10%)	(19,683)
31.12.2016				
USD	10%	3,241,481	(10%)	(3,241,481)
MYR	10%	1,891,782	(10%)	(1,891,782)
HKD	10%	85,503	(10%)	(85,503)
THB	10%	11,390	(10%)	(11,390)
IDR	10%	25,465	(10%)	(25,465)

iii) Equity price risk

The Company is exposed to equity price risk on its equity investments which are carried at fair value through profit or loss and through other comprehensive income. Majority of the Company's equity investments are quoted on the Singapore and Malaysia stock exchanges.

Effects of reasonably possible changes to equity prices at the end of the reporting period are not expected to have material effect on the Company's profit or loss and equity. As such, the sensitivity analysis is not performed.

iv) Operational risk

Operational risk is the risk of loss from inadequate or failure of internal processes, people, systems and any external events. The controls provide reasonable assurance of the soundness of operations and reliability of reporting.

This risk is managed through an operational risk management framework established which facilitates the management operations within the Group. It also supports in settings of policies, tools and methodologies, supporting their implementation and operation within the business units and providing ongoing monitoring and guidance across the Group to ensure that operational risks are mitigated.

v) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company invests primarily in debt securities whereby fair values or future cash flows of the financial instruments mainly arise from changes in effective yield rate and the issuers' repayment abilities. The Company has a relatively small allocation to equity funds, thus the price risk faced by the Company is relatively less volatile in the context of total investible assets.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial assets and liabilities of the Company.

Investments

The fair value of investments is determined by reference to their quoted bid prices or last traded price using independent price sources at the reporting date.

Other financial assets and liabilities

The carrying amount of financial assets and liabilities with a maturity of less than one year (including takaful and other receivables, cash, and cash equivalents and takaful and other payables) are assumed to approximate their fair values because of the short period of maturity.

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Accounting classifications and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows.

	Carrying amount			Fair value		
	Designated at fair value	Held to maturity	Loans and receivables	Available- for-sale	Other financial liabilities	Total
	BND	BND	BND	BND	BND	BND
31.12.2017						
Financial assets measured at fair value						
AFS financial assets	—	—	—	14,423,600	—	14,423,600
Financial assets at FVTPL	46,316,545	—	—	—	—	46,316,545
	46,316,545	—	—	14,423,600	—	60,740,145
Financial assets not measured at fair value						
Takaful and other receivables	—	—	653,218	—	—	653,218
Derivative assets	148,548	—	—	—	—	148,548
Short-term placements	—	—	11,000,000	—	—	11,000,000
Cash and cash equivalents	—	—	10,228,489	—	—	10,228,489
	—	—	21,881,707	—	—	22,030,255
Financial liabilities not measured at fair value						
Other payables	—	—	—	—	3,713,689	3,713,689
	—	—	—	—	3,713,689	3,713,689

	Carrying amount			Fair value			
	Designated at fair value	Held to maturity	Loans and receivables	Available- for-sale	Other financial liabilities	Total	
	BND	BND	BND	BND	BND	BND	BND
31.12.2016							
Financial assets measured at fair value							
AFS financial assets	—	—	—	14,075,996	—	14,075,996	14,075,996
Financial assets at FVTPL	39,916,359	—	—	—	—	39,916,359	39,916,359
	39,916,359	—	—	14,075,996	—	53,992,355	
Financial assets not measured at fair value							
Takaful and other receivables	—	—	2,167,222	—	—	2,167,222	
Short-term placements	—	—	17,159,621	—	—	17,159,621	
Cash and cash equivalents	—	—	9,602,694	—	—	9,602,694	
	—	—	28,929,537	—	—	28,929,537	
Financial liabilities not measured at fair value							
Derivative liabilities	168,325	—	—	—	—	168,325	168,325
Other payables	—	—	—	—	3,385,407	3,385,407	
	—	—	—	—	3,553,732	3,553,732	

Fair value of the company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2017		31 December 2016					
	Assets	Liabilities	Assets	Liabilities				
Available-for-sale financial assets (See Note 5)								
Private equity fund	14,423,600	-	14,075,996	-	Level 3	Net asset valuation of the private equity fund at year end	Net asset value	N/A
Financial assets at FVTPL (See Note 5)								
Quoted equities	7,426,256	-	3,995,170	-	Level 1	Quoted prices in active markets	N/A	N/A
Fixed income securities	38,890,289	-	35,603,812	-	Level 1	Quoted prices in active markets	N/A	N/A
Unquoted corporate bond	-	-	317,377	-	Level 2	Quoted prices in secondary sources Priced at binding brokers source	N/A	N/A
Derivative financial instruments (See Note 14)								
Foreign exchange forward contracts	148,548	-	-	168,325	Level 2	Price reference using observable exchange rates from publicly available sources	N/A	N/A

Management considers that the carrying amounts of financial assets and financial liabilities of the Company recorded at amortised cost in the financial statements approximate fair values.

Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	Takaful Fund	
	31.12.2017	31.12.2016
	BND	BND
Available-for-sale financial assets		
Opening balance as at 1 January	14,075,996	10,286,102
Capital calls during the year	849,776	5,178,361
Gains or losses recognised in other comprehensive income (OCI) for the year:		
- Net change in fair value	533,620	214,926
- Net foreign exchange revaluation	(1,035,792)	350,822
Settlements during the year	—	(1,204,194)
Other gains and losses recognised in statement of profit or loss	—	241,393
Provision for impairment recognised in the statement of profit or loss	—	(991,414)
Balance as at 31 December	14,423,600	14,075,996

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27. Dividends

Dividends paid/payable during the financial year, in respect of the financial year ended:

	\$
December 31, 2016	<u>287,236</u>

Subsequent to the financial year end the directors do not recommend any dividend to be declared and paid in respect of the financial year ended December 31, 2017.

28. Other matters

During the year the company has derecognized Shariah non-compliant income specifically derived from conventional banks from the statement of Profit or Loss and Other Comprehensive Income amounting to \$195 (2016: \$13,356) and has designated to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee.

29. Prior year adjustments and reclassifications

During the financial year, the Family Takaful Fund accounted for certain accounting matters retrospectively as prior year adjustments and reclassifications, as set out below: -

		Family Takaful Fund 31.12.2016		
	Note	BND	BND	BND
		As previously stated	Prior period adjustment & reclassifications	As restated
Statement of profit or loss and other comprehensive income				
Other operating income	a	2,093,858	(1,943,602)	150,256
Net changes to takaful contract liabilities	a	(3,645,565)	1,943,602	(1,701,963)
Other gains and losses	b + c + d	(430,158)	(1,187,052)	(1,617,210)
Surplus attributable to participants' fund	b	(2,740,463)	350,822	(2,389,641)
Net foreign exchange revaluation of AFS financial assets	b	—	350,822	350,822
Other comprehensive income attributable to participants' fund	b	(214,926)	(350,822)	(565,748)
Management expenses	c + d	(1,813,465)	836,230	(977,235)
Statement of policyholders' surplus				
Surplus for the current financial year	b	2,740,463	(350,822)	2,389,641
Change in AFS reserve	b	214,926	350,822	565,748

		Family Takaful Fund		
		31.12.2016		
	Note	BND	BND	BND
		As previously stated	Prior period adjustment & reclassifications	As restated
Participants' Fund				
<u>Accumulated Surplus</u>				
At beginning of year	b	13,195,737	(243,564)	12,952,173
Underwriting surplus	b	4,114,935	(350,822)	3,764,113
<u>AFS Reserves</u>				
At beginning of year	b	195,055	243,564	438,619
Net gain on foreign exchange changes	b	-	350,822	350,822

- a. The actuarial surplus in the prior year is reclassified from other operating income to net changes to Takaful contract liabilities in the statement of profit or loss and other comprehensive income.
- b. The foreign exchange gains and losses for an AFS investment in the prior year was recognised in the statement of profit or loss and other comprehensive income. Hence, prior year adjustments were made to retrospectively account and transfer to the AFS reserves residing in the participants' fund.
- c. The provision for impairment of investment in the prior year is reclassified from management expense to other gains and losses in the statement of profit or loss and other comprehensive income.
- d. The provision for impairment of Takaful receivables in the prior year is reclassified from management expense to other gains and losses in the statement of profit or loss and other comprehensive income.