

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

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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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, 2018.

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	5,729,113
Effects of IFRS 9 adoption	(24,134)
Profit for the year	1,929,284
Transfer to general reserve	<u>(675,249)</u>
Retained earnings at the end of the year	<u><u>6,959,014</u></u>

DIVIDEND

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, 2018.

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 Mulia Dato Seri Paduka Ahmaddin bin Haji Abdul Rahman - Chairman

Yang Mulia Awang Haji Khairuddin bin Haji Abdul Hamid (appointed on January 30, 2018)

Yang Mulia Awang Haji Mohd Serudin bin Haji Timbang (appointed on January 30, 2018)

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman

Yang Mulia Mr. Ramesh Pillai (appointed on August 4, 2018)

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

Yang Mulia Awang Ainadin Cader (resigned on January 30, 2018)

Yang Berhormat Dato Seri Paduka Dr. Haji Mohd Amin Liew bin Abdullah (resigned on January 30, 2018)

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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: 04 APR 2019

REPORT OF THE SHARIAH ADVISORY COMMITTEE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى آله
وصحبه أجمعين

To the Shareholders of the Insurans Islam TAIB Family Takaful Sendirian Berhad

السلام عليكم ورحمة الله وبركاته

In compliance with the letter of appointment and our capacity as members of Insurans Islam TAIB Family Takaful Sendirian Berhad ("IITFT") Shariah Advisory Committee with effect from August 4, 2018, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by IITFT during the financial period ended December 31, 2018. We have also conducted our review to form an opinion as to whether the IITFT has complied with *Hukum Syara'*.

The Management of IITFT is responsible for ensuring that the financial institution conducts its business in accordance with *Hukum Syara'*. It is our responsibility to present an independent opinion, based on our review of the business operations of IITFT and subsequently report to you.

We have assessed the work carried out by the Shariah Department which also include Shariah review and examination, on a test basis, each type of transactions, the relevant documentation and procedures adopted and/or entered by IITFT.

We obtained all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that IITFT has not violated the *Hukum Syara'* in all transactions that had been presented to us.

We, the Shariah Advisory Committee of IITFT are of the opinion and hereby confirm that:-

- a) The contracts, transactions and dealings entered into by IITFT during the financial period ended December 31, 2018 that we have reviewed are in compliance with the *Hukum Syara'*;
- 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 *Hukum Syara'*;
- 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 \$762 (2017: \$195) and has designated to charities; following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee of Perbadanan TAIB, and

This opinion is rendered based on what has been presented by the Management of IITFT to us.

We pray to *Allah Subhanahu wa Ta'ala* to assist everyone to act in accordance with the rulings of Islam and to keep away from carrying out any transactions that are prohibited by *Allah Subhanahu wa Ta'ala*. May *Allah Subhanahu wa Ta'ala* bless us with the best *taufiq* and *hidayah* to accomplish these cherished tasks, make us successful and forgive our mistakes in both this world and in the hereafter. Amin.

والله ولى التوفيق والهداية



Yang Mulia Awang Haji Dennie
bin Haji Abdullah
Chairman



Yang Mulia Awang Haji Mohd Serudin bin Haji
Timbang
Member



Yang Mulia Dr. Awang Azme bin Haji Matali
Member



Yang Arif Awang Haji Hassan bin Haji Metali
Member



Yang Mulia Haji Osman bin Haji Md Jair
Secretary and Member

Yang Berhormat Pehin Orang Kaya Paduka Seri Utama Dato Paduka Seri Setia Awang Haji Salim Bin Haji Besar has resigned on August 4, 2018. YB Pehin had terminated his service as the Chairman of Perbadanan TAIB SAC on September 27, 2018.

Yang Mulia Awang Haji Mas Reduan bin Haji Jumat has resigned on August 4, 2018. YM Awang Haji Mas Reduan has been remained as Member of Perbadanan TAIB SAC as per stated in his appointment letter dated September 27, 2018 .

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman has resigned on August 4, 2018. YM Dayang Hajah Noorrafidah has been remained as Member of Perbadanan TAIB SAC as per stated in her appointment letter dated September 27, 2019.

Brunei Darussalam

Date: 04 APR 2019

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, 2018, 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 70.

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, 2018 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

DELOITTE & TOUCHE
Certified Public Accountants



HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: April 4, 2019

Statement of profit or loss and other comprehensive income
Year ended 31 December 2018

Note	31.12.2018			31.12.2017		
	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)	- 6,239,835 (57,902)	6,239,835 (57,902)	-	5,864,610 157,918	5,864,610 157,918
Gross earned contributions	10(c)	- 6,181,933	6,181,933	-	6,022,528	6,022,528
Contributions ceded to retakaful	10(c)	- (1,007,188)	(1,007,188)	-	(861,001)	(861,001)
Changes in unearned retakaful contribution reserves		- (7,023)	(7,023)	-	(111,000)	(111,000)
Earned contributions ceded to retakaful	10(c)	- (1,014,211)	(1,014,211)	-	(972,001)	(972,001)
Net earned contributions	10(c)	- 5,167,722	5,167,722	-	5,050,527	5,050,527
Investment income	18	563,011	1,878,660	2,404,311	3,135,851	5,540,162
Other operating income	19	195,773	46,135	176,284	385,686	561,970
Other revenue		758,784	1,924,795	2,580,595	3,521,537	6,102,132
Movement in gross claim and benefits paid	10(a)	- 12,695	12,695	-	(432,778)	(432,778)
Gross claim and benefits recovered from retakaful	10(a)	- 534,357	534,357	-	360,801	360,801
Net changes to takaful contract liabilities		- (3,378,112)	(3,378,112)	-	(3,358,791)	(3,358,791)
Net benefits and claims		- (2,831,060)	(2,831,060)	-	(3,430,768)	(3,430,768)

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 2018

		31.12.2018			31.12.2017		
Note		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
	Wakalah expense	-	(207,603)	(207,603)	-	(175,501)	(175,501)
20	Management expenses	(2,936,305)	(183,963)	(3,120,268)	(2,748,289)	(612,384)	(3,360,673)
21	Change in expense liabilities	1,489,338	-	1,489,338	(266,233)	-	(266,233)
22	Other gains and losses	(50,504)	322,642	272,138	(221,928)	(390,182)	(612,110)
	Total other expenses	(1,497,471)	(68,924)	(1,566,395)	(3,236,450)	(1,178,067)	(4,414,517)
	Operating (loss) profit before surplus transfers	(738,687)	4,192,533	3,453,846	(655,855)	3,963,229	3,307,374
	Surplus attributable to operator	2,667,971	(2,667,971)	-	3,306,936	(3,306,936)	-
	Surplus attributable to participants' fund	-	(1,524,562)	(1,524,562)	-	(656,293)	(656,293)
	Profit before taxation	1,929,284	-	1,929,284	2,651,081	-	2,651,081
23	Tax expense	-	-	-	(759,576)	-	(759,576)
	Net profit for the year	1,929,284	-	1,929,284	1,891,505	-	1,891,505

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 2018

	31.12.2018			31.12.2017		
	Note	Takaful		Takaful	Takaful	
		Operator	Fund	Operator	Fund	Company
		BND	BND	BND	BND	BND
Net profit for the year		1,929,284	—	1,891,505	—	1,891,505
Items that may be reclassified subsequently to profit or loss:						
Net change in fair value of AFS financial assets		—	—	—	533,620	533,620
Net foreign exchange revaluation of AFS investments		—	—	—	(1,035,792)	(1,035,792)
Change in fair value of investments at FVTOCI		(570,485)	(239,880)	—	—	—
Other comprehensive income attributable to participants' fund			239,880	—	502,172	502,172
Total comprehensive income for the year		1,358,799	—	1,891,505	—	1,891,505

The accompanying notes form an integral part of these financial statements

Statement of financial position
As at 31 December 2018

		31.12.2018		31.12.2017	
Note		Takaful Operator	Takaful Fund	Takaful Operator	Takaful Fund
		BND	BND	BND	BND
Assets					
4	Plant and equipment	710,681	-	768,501	-
5	Investments	23,058,784	37,781,033	24,147,620	36,592,525
10	Retakaful certificate assets	-	319,947	-	263,873
6	Takaful certificate receivables	-	537,712	-	163,889
7	Other receivables	5,279,764	8,666,444	291,493	13,053,558
8	Deposits and placements	-	2,000,000	9,000,000	2,000,000
9	Cash and cash equivalents	5,460,232	7,359,246	5,968,228	4,260,261
Total assets		34,509,461	56,664,382	40,175,842	83,802,774
Liabilities					
10	Takaful certificate liabilities	-	40,498,908	-	41,350,468
11	Takaful certificate payables	-	492,958	-	218,470
12	Expense liabilities	4,874,538	-	6,363,876	-
13	Deferred tax liabilities	-	-	42,053	-
14	Other payables	8,748,743	2,908,638	13,930,833	2,490,030
Current tax liabilities		234,181	-	545,880	-
Total liabilities		13,857,462	43,900,504	20,882,642	44,058,968
			48,469,238		52,234,436

The accompanying notes form an integral part of these financial statements

**Statement of financial position (cont'd...)
As at 31 December 2018**

Note	31.12.2018			31.12.2017		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
Participants' fund						
15	-	12,763,878	12,763,878	-	12,275,138	12,275,138
Equity						
Share capital	8,000,002	-	8,000,002	8,000,002	-	8,000,002
General reserve	6,239,334	-	6,239,334	5,564,085	-	5,564,085
Investment revaluation reserve	(546,351)	-	(546,351)	-	-	-
Retained earnings	6,959,014	-	6,959,014	5,729,113	-	5,729,113
Total shareholders' equity	20,651,999	-	20,651,999	19,293,200	-	19,293,200
Total liabilities, equity and participants' fund	34,509,461	56,664,382	81,885,115	40,175,842	56,334,106	83,802,774

The accompanying notes form an integral part of these financial statements


DIRECTOR


DIRECTOR

Statement of policyholders' surplus
As at 31 December 2018

	Note	Takaful Fund	
		31.12.2018	31.12.2017
		BND	BND
Surplus balance at beginning of year		12,275,138	14,121,056
Effect of adopting IFRS 9	2.4 (c)	(18,964)	-
Surplus balance at beginning of year - adjusted		12,256,174	14,121,056
Surplus for the current financial year		1,524,562	656,293
Fair value reserve for the current financial year		(239,880)	(502,172)
Total surplus at the end of year		13,540,856	14,275,177
Distribution/transfer to policy holders		(776,978)	(2,000,039)
Balance of retained surplus at end of year		12,763,878	12,275,138

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
Year ended 31 December 2018

	Note	Share capital	General reserve	Investment revaluation reserve	Retained earnings	Total
		BND	BND		BND	BND
At 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 declared		-	-	-	(287,236)	(287,236)
At 31 December 2017 and 1 January 2018		8,000,002	5,564,085	-	5,729,113	19,293,200
- Effect of adopting IFRS 9	2.4 (c)	-	-	24,134	(24,134)	-
- As restated		8,000,002	5,564,085	24,134	5,704,979	19,293,200
Total comprehensive income for the year						
Profit for the year		-	-	-	1,929,284	1,929,284
Other comprehensive income for the financial year		-	-	(570,485)	-	(570,485)
Transactions with owners, recognised directly in equity:						
Transfer to general reserve		-	675,249	-	(675,249)	-
At 31 December 2018		8,000,002	6,239,334	(546,351)	6,959,014	20,651,999

The accompanying notes form an integral part of these financial statements

Statement of cash flows
Year ended 31 December 2018

	31.12.2018	31.12.2017
	BND	BND
Cash flows from operating activities		
Profit before taxation	1,929,284	2,651,081
Adjustments for:		
Surplus transferred to participants' fund	1,524,562	656,293
Net fair value loss (gain) from investment	733,565	(776,790)
Depreciation	184,043	136,678
Movement of impairment in takaful receivables	(84,172)	103,406
Foreign exchange differences	(187,966)	(508,705)
Net change in provision for takaful contracts	(776,978)	(2,000,039)
(Decrease) increase in expense liabilities	(1,489,338)	266,233
Dividend and profit income	(2,441,671)	(4,254,667)
	(608,671)	(3,726,510)
Changes in working capital:		
Takaful payables	274,488	(392,779)
Retakaful assets	(56,074)	290,254
Takaful receivables	(308,615)	544,269
Takaful certificate liabilities	(851,561)	(273,754)
Other payables	(1,387,089)	159,957
Other receivables	(4,019,602)	717,781
Cash used in operations	(6,957,124)	(2,680,782)
Income taxes paid	(311,699)	(470,759)
Net cash (used in) operating activities	(7,268,823)	(3,151,541)
Cash flows from investing activities		
Proceeds from disposal of deposits and placements	9,000,000	6,159,621
Dividend and profit received	2,441,671	4,254,667
Acquisition of plant and equipment	(126,223)	(385,249)
Movement of investments	(1,455,636)	(5,964,467)
Dividend paid	-	(287,236)
Net cash from investing activities	9,859,812	3,777,336
Net increase in cash and cash equivalents	2,590,989	625,795
Cash and cash equivalents at 1 January	10,228,489	9,602,694
Cash and cash equivalents at 31 December	12,819,478	10,228,489

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 28, 2019.

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 2018 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 notice no. TIU/N-4/2017/8 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);
AAOIFI FAS 19	Contributions in Islamic Insurance Companies.

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 the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Functional and presentation currency

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

2.4 Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

In the current financial year, there were a number newly issued and amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for the annual period that begins on or after January 1, 2018. Their adoption by the Company to the extent that it had a material impact on these financial statements are discussed below:

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments;
- Annual improvements to IFRS Standards 2014 to 2016 cycle;
- Amendments to IAS 28 Investments in Associates and Joint Ventures;
- IFRIC 22 Foreign Currency Transactions and Advance Contribution.

IFRS 15 Revenue from Contracts with Customers

Under IFRS 15, an entity establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The company continues to apply IFRS 4 to its insurance contracts however, the company applies IFRS 15 to non-insurance contracts. The application of this new standard has not resulted in any impact on the financial performance or financial position of the company.

IFRS 9 Financial Instruments

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018 retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS39 requirements. The Company did not choose the option of designating any financial liabilities at FVTPL. As such, the adoption of IFRS 9 did not impact the Company’s accounting policies for financial liabilities.

(a) Classification and measurement of financial assets and financial liabilities

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Deposits and placements 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 amount outstanding, are measured subsequently at amortised cost;
- Fixed income securities that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Note (c) below tabulates the change in classification of the Company's financial assets upon application of IFRS 9.

(b) Impairment of financial assets

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 the Company 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The result of the assessment is as follows:

Company

Items existing as at January 1, 2018 that are subject to impairment provisions of IFRS 9	Note	Credit risk attributes at 1 January 2017 and 1 January 2018	Cumulative additional loss allowance recognised on 1 January 2018
			BND
Fixed income securities	5	These items are assessed to have low credit risk at each reporting date based on their respective external credit ratings. As such, the Company assumes that the credit risk on these financial instruments that has not increased significantly since initial recognition as permitted by IFRS 9 and recognises 12-months ECL for these asset.	-
Takaful certificate receivables	6	The Company applies the simplified approach and recognises lifetime ECL for these assets	(18,964)
Other receivables	7		-
Cash and cash equivalents	9	All cash and cash equivalents are held with reputable financial institutions and is assessed to have low credit risk at each reporting date.	-

(c) Disclosures in relation to the initial application of IFRS 9

The following table shows the impact of adoption of IFRS 9 on transition date, January 1, 2018.

Company	Note	IAS 39 carrying amount December 31, 2017 BND	Adoption of IFRS 9 BND	(Note)	IFRS 9 carrying amount January 1, 2018 BND
Assets					
Investments at FVTPL	5(a)	46,316,545	(24,466,689)	(a)	21,849,856
Investments at FVTOCI	5(b)	-	38,890,289	(a)	38,890,289
AFS Investments	5(b)	14,423,600	(14,423,600)	(a)	-
Takaful certificate receivables	6	163,889	(18,964)	(b)	144,925
		60,904,034	(18,964)		60,885,070
Participants' fund	15	12,275,138	(18,964)	(b)	12,256,174
Investment revaluation reserve		-	24,134	(a)	24,134
Retained earnings		5,729,113	(24,134)	(a)	5,704,979
		18,004,251	(18,964)		17,985,287

- (a) The application of IFRS 9 has resulted in the reclassification of the Company's investments and corresponding investment revaluation reserve based on the results of the SPPI and Business Model assessments carried out by management.
- (b) The application of the IFRS 9 impairment requirements has resulted in additional loss allowance to be recognized.

The impact of application of IFRS 9 has had not impact on the cash flows of the Company.

2.5 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been but are not yet effective:

Effective for annual periods beginning on or after January 1, 2019

IFRS 16	Leases
IFRS 17	Insurance Contracts
Annual improvements to IFRS Standards 2015-2017 Cycle	Amendments to IAS 12 Income Taxes

Management anticipates that the adoption of the above IFRSs, INT IFRSs and amendments to IFRS in future periods will not have a material impact on the financial statements in the period of their initial adoption, except as noted below:

IFRS 16 Leases

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 are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The Company has assessed that the application of IFRS 16 is likely not going to be significant, and plans to adopt the new standard on the required effective date.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to determine whether uncertain tax positions is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

It is not practicable to provide a reasonable estimate of the effect of the IFRIC 23 until a detailed review has been completed.

IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general measurement model, supplemented by:

- A specific adaption for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. It is not practicable to provide a reasonable estimate of the effect of the IFRS 17 until a detailed review has been completed.

Annual Improvements to IAS 12 Income Taxes

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

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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 Financial instruments

Financial assets (before January 1, 2018)

Classification of 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 (AFS) 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.

Financial assets (from January 1, 2018)

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Profit is recognised using the effective profit method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

(ii) Debt instruments classified as at FVTOCI

The fixed income securities held by the Company are classified as at FVTOCI. Fair value is determined in the manner described in note 26. The fixed income securities are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and profit income calculated using the effective profit rate method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these fixed income securities had been measured at amortised cost. All other changes in the carrying amount of these fixed income securities are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When these fixed income securities are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or profit earned on the financial asset and is included in the ‘other gains and losses’ line item (note 22). Fair value is determined in the manner described in note 26.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (note 22);
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (note 22); and

- for debt instruments measured at FVTOCI that are not part of a hedging relationship, exchange differences on the amortised cost of debt instruments are recognised in profit or loss in the 'other gains and losses' line item (note 22). Other exchange differences are recognised in other comprehensive income in the investment revaluation reserve.
- for equity investments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the revaluation reserve.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses ("ECL") on takaful certificate receivables, other receivables and debt instruments measured at amortised cost or FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for takaful certificate receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the company considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the gross domestic product (GDP) to be the most relevant factor, and accordingly adjusted the historical loss rates based on its expected changes.

The company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

The company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective profit rate.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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.

Trade and other payables

The Company's Takaful contract liabilities and other payables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost, using the effective profit rate method, except for short-term balances when the effect of discounting is immaterial.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other income and expense' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

3.3 Foreign currencies

The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the company operates (its functional currency). Transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All exchange differences are recognised in profit or loss.

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 Impairment of non-financial assets

Property, plant and equipment

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 Companyed together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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.

3.6 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.

3.7 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.

3.8 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 investment (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 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 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 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 Company 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.

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.

The accounting policies applicable to Retakaful assets can be found in note 3.2.

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 carried 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 profit rate method.

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

The accounting policies applicable to Takaful receivables can be found in note 3.2.

3.14 Other income

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

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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) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (note 3.2). The Company determines the business model at a level that reflects how financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(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) Useful lives of property, plant and equipment and intangible assets

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.

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(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) Calculation of loss allowance

When measuring ECL, the Company uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4. Plant and equipment

Company	Computer hardware and software BND	Furniture, fixtures and fittings BND	Renovations BND	Total BND
Cost				
At 1 January 2017	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
Additions	126,223	-	-	126,223
At 31 December 2018	719,161	69,672	349,165	1,137,998
Accumulated depreciation				
At 1 January 2017	(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)
Additions	(135,192)	(13,934)	(34,917)	(184,043)
At 31 December 2018	(243,847)	(50,787)	(132,683)	(427,317)
Carrying amounts				
At 31 December 2017	484,283	32,819	251,399	768,501
At 31 December 2018	475,314	18,885	216,482	710,681

5. Investments

		Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018				
Investments at FVTPL	(a)	4,410,523	14,357,700	18,768,223
Investments at FVTOCI	(b)	18,648,261	23,423,333	42,071,594
		23,058,784	37,781,033	60,839,817
31.12.2017				
Investments at FVTPL	(a)	24,147,620	22,168,925	46,316,545
AFS investments	(b)	-	14,423,600	14,423,600
		24,147,620	36,592,525	60,740,145

(a) Financial assets at FVTPL

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

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Quoted equity securities	4,410,523	-	4,410,523
Unquoted equity securities	-	14,357,700	14,357,700
Financial assets at FVTPL	4,410,523	14,357,700	18,768,223
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	24,147,620	22,168,925	46,316,545

(b) Financial assets at FVTOCI (2018) and AFS Financial Assets (2017)

The financial assets designated at fair value through other comprehensive income (FVTOCI) (2017: available for sale) and its components are further analysed as follows:

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Quoted fixed income securities	18,648,261	23,423,332	42,071,593
Financial assets at FVTOCI	18,648,261	23,423,332	42,071,593
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

Impairment of financial assets

For the purpose of impairment assessment, fixed income securities are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the expected credit losses for these assets, the management have taken into account the future prospects of the industries in which the issuers of bonds operate obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment horizon, as well as the loss upon default in each case. Management have deemed the ECL to be insignificant.

Note 26 details the gross carrying amount, loss allowance as well as the measurement basis of expected credit losses for each of these financial assets by credit risk categories.

6. Takaful certificate receivables

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Takaful Fund and Company		
Due from agents/brokers and co-takaful balances	788,202	116,673
Due from retakaful operators	195,950	558,864
	<u>984,152</u>	<u>675,537</u>
Less: Loss allowance under IFRS 9	(446,440)	-
Less: Impairment under IAS 39	-	(511,648)
	<u>537,712</u>	<u>163,889</u>

Loss allowance for takaful certificate receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on takaful certificate receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction at the reporting date.

A receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of takaful certificate receivables from contracts with customers based on the provision matrix. As the company's historical credit loss experience does not show significant different loss patterns for the different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

	Takaful certificate receivables				
	Less than 30 days (Not Past Due)	30 to 90 days	90 to 180 days	More than 180 days	Total
December 31, 2018					
Expected Credit loss rate	8.36%	20.90%	41.81%	100%	
Estimated total gross carrying amount at default	235,093	341,056	90,251	317,752	984,152
Lifetime ECL	(19,658)	(71,296)	(37,734)	(317,752)	(446,440)

The following table shows the movement in ECL that has been recognised for takaful certificate receivables in accordance with the simplified approach set out in IFRS 9.

	BND
Balance at beginning of the year	511,648
Adjustment upon application of IFRS 9	18,964
Balance at beginning of the year (adjusted)	530,612
Movement in loss allowance during the year	(84,172)
Balance as at 31 December 2018	446,440

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

7. Other Receivables

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Amount due from ultimate parent	-	130,298	130,298
Amount owing from parent Company	2,900,000	-	2,900,000
Amount owing from Takaful Operator of Family Takaful Fund	-	8,266,080	-
Amount owing from Family Takaful Fund	1,022,647	-	-
Derivative Assets at fair value*	138,127	-	138,127
Deposits, prepayments and others	1,218,990	270,066	1,489,055
	5,279,764	8,666,444	4,657,480
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 at fair value*	148,548	-	148,548
Deposits, prepayments and others	142,945	251,278	394,223
	291,493	13,053,558	637,877

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

* The account represents derivative assets amounting to \$138,127 (2017: \$148,548) as at December 31, 2018 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 as follows:

	<u>December 31, 2018</u>			<u>December 31, 2017</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	18,162,940	138,127	—	15,120,758	148,548	—

8. Deposit and placements

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

Fixed deposit of the Company bear weighted average effective profit rate of 1.15% (2017: 1.02%) per annum and have a maturity period within 10 months (2016: 22 months) from balance sheet date.

9. Cash and cash equivalents

	<u>Takaful Operator BND</u>	<u>Takaful Fund BND</u>	<u>Company BND</u>
31.12.2018			
Cash and bank balances	5,460,232	7,359,246	12,819,478
31.12.2017			
Cash and bank balances	5,968,228	4,260,261	10,228,489

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

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10. Takaful certificate liabilities

The Takaful certificate liabilities are comprised the following:

		Takaful Fund and Company		
		Gross	Ceded to	Net
		BND	Retakaful	BND
			BND	BND
31.12.2018				
Provision for outstanding claims	(a)	1,365,512	(319,947)	1,045,565
Family Takaful funds	(b)	38,581,320	-	38,581,320
Provision for unearned contributions	(c)	552,075	-	552,075
		<u>40,498,908</u>	<u>(319,947)</u>	<u>40,178,961</u>
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
		<u>41,350,468</u>	<u>(263,873)</u>	<u>41,086,595</u>

(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
31.12.2018				
Provision for claims incurred and admitted		685,079	(165,666)	519,413
Provision for incurred but not reported claims (IBNR)		680,433	(154,281)	526,152
Provision for outstanding claims		<u>1,365,512</u>	<u>(319,947)</u>	<u>1,045,565</u>

		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		<u>2,681,211</u>	<u>(256,850)</u>	<u>2,424,361</u>

Movement of provision for outstanding claims:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
1.1.2017	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
Movement in claims reserve	(12,695)	(534,357)	(547,052)
Claims paid during the year	(1,303,004)	471,260	(831,743)
31.12.2018	1,365,512	(319,947)	1,045,566

(b) Family Takaful funds

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

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Family Takaful – participants account	27,058,862	27,310,572
Family Takaful - mortgage	9,921,103	9,424,618
Family Takaful - 100% Tabarru'	1,593,465	1,432,839
Family Takaful – participants special account	7,890	7,055
Total family Takaful funds	38,581,320	38,175,084

Movement of Family Takaful funds:

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
At the beginning of the year	38,175,084	36,121,975
Net earned contributions	4,148,848	4,213,551
Transfer from participants' fund	775,712	1,659,157
Gross claim and benefits ceded to retakaful	326,350	463,036
Net surplus payable	(21,737)	(109,064)
Actuarial surplus transferred out	(336,052)	(310,779)
Liabilities paid for death claims and benefits	(761,034)	(1,007,017)
Gross changes to takaful contract liabilities	(3,725,851)	(2,855,775)
At the end of the year	38,581,320	38,175,084

(c) **Provision for unearned contributions**

Movement of provision for unearned contributions:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
1.1.2017	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
Contributions written during the year	6,239,835	(1,007,188)	5,232,647
Contributions earned during the year	(6,181,933)	1,014,211	(5,167,722)
31.12.2018	552,075	-	552,075

11. Takaful certificate payables

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Due to retakaful companies	492,958	218,470

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	
	31.12.2018	31.12.2017
	BND	BND
Expense liabilities	4,874,538	6,363,876

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
1.1.2017	6,097,643
Movement in provision for unexpired expense reserve	266,233
31.12.2017	6,363,876
Movement in provision for unexpired expense reserve	(1,489,338)
31.12.2018	4,874,538

13. Deferred tax liabilities

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

	Takaful Operator and Company	
	31.12.2018	31.12.2017
	BND	BND
At the beginning of the year	42,053	-
Origination (reversal) of temporary differences (Note 23)	(42,053)	42,053
At the end of the year	-	42,053

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14. Other payables

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Advanced contributions from participants	-	629,990	629,990
Profit payable to participants	-	1,044,905	1,044,905
Provision for unutilised leave	13,375	-	13,375
Amount owing to parent	104,451	-	104,451
Amount owing to Family Takaful Fund	8,266,080	-	-
Amount owing to Takaful Operator of Family Takaful Fund	-	1,022,647	-
Amount owing to Takaful Operator of General Takaful Fund	9,503	33,087	42,590
Amount owing to General Takaful Fund	1,023	-	1,023
Other creditors	354,311	178,009	532,320
	<u>8,748,743</u>	<u>2,908,638</u>	<u>2,368,654</u>
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 Takaful Operator of General Takaful Fund	156,917	-	156,917
Amount owing to Family Takaful Fund	12,707,174	-	-
Amount owing to General Takaful Fund	9,727	860,371	870,098
Other creditors	595,563	87,571	683,134
	<u>13,930,833</u>	<u>2,490,030</u>	<u>3,713,689</u>

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

15. Participants' fund

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

	31.12.2018 BND	31.12.2017 BND
Family Takaful Fund	<u>12,763,878</u>	<u>12,275,138</u>

The participants' fund movements are analysed as follows:

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Accumulated surplus		
At beginning of year	11,772,943	13,116,689
Effect of adopting IFRS 9	579,214	-
	12,352,157	13,116,689
Underwriting surplus	4,192,533	3,963,229
Surplus attributed to operator	(2,667,971)	(3,306,936)
Distribution/transfer to policyholders	(776,978)	(2,000,039)
At end of year	13,099,741	11,772,943
Fair value reserve		
At beginning of year	502,195	1,004,367
Effect of adopting IFRS 9	(598,178)	-
	(95,983)	1,004,367
Net gains (loss) on fair value changes	(239,880)	533,620
Net (loss) on foreign exchange changes	-	(1,035,792)
At end of year	(335,863)	502,195
Participants' fund at end of the year	12,763,878	12,275,138

16. Share capital

	31.12.2018	31.12.2017
	Number of shares	Number of 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
31.12.2018			
Dividend income	869,823	1,259,762	2,129,585
Fair value (loss) gains	(1,118,471)	715,511	(402,960)
Gain/(loss) on disposal of investment	811,659	(96,613)	715,046
	563,011	1,878,660	2,441,671
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
	2,404,311	3,135,851	5,540,162

19. Other operating income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Miscellaneous income	177,863	46,135	223,998
Service charges	17,910	-	17,910
	195,773	46,135	241,908
31.12.2017			
Miscellaneous income	152,763	385,686	538,449
Service charges	23,521	-	23,521
	176,284	385,686	561,970

20. Management expense

	Takaful Operator		Takaful Fund		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	BND	BND	BND	BND	BND	BND
Salaries, bonuses and other employee benefits	1,064,706	950,956	—	—	1,064,706	950,956
Management fees payable to parent Company	1,055,907	1,021,932	—	—	1,055,907	1,021,932
Others expenses	369,863	307,027	183,963	612,384	553,826	919,411
Depreciation	184,044	136,678	—	—	184,044	136,678
Legal, professional and audit fees	97,814	121,857	—	—	97,814	121,857
Office rental expenses	66,000	66,000	—	—	66,000	66,000
Marketing and promotional costs	61,311	72,465	—	—	61,311	72,465
Utilities	36,660	71,374	—	—	36,660	71,374
	(2,936,305)	(2,748,289)	(183,963)	(612,384)	(3,120,268)	(3,360,673)

21. Change in expense liability

	Takaful Operator and Company	
	31.12.2018	31.12.2017
	BND	BND
Decrease (increase) in unexpired expense reserve	1,489,338	(266,233)

22. Other gains and losses

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2018			
Movement of impairment in takaful receivables	-	84,172	84,172
Foreign exchange gains (losses)	(50,504)	238,470	187,966
	(50,504)	322,642	272,138
31.12.2017			
Movement of impairment in takaful receivables	-	(103,405)	(103,405)
Foreign exchange losses	(221,928)	(286,777)	(508,705)
	(221,928)	(390,182)	(612,110)

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23. Tax expense

	Takaful Operator and Company	
	31.12.2018	31.12.2017
Current year	-	545,880
Prior year under (over) provision	-	171,643
Deferred tax expense (Note 13)	-	42,053
	-	759,576

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	
	31.12.2018	31.12.2017
	BND	BND
Profit before taxation	1,929,284	2,651,081
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	329,168	490,450
Adjustments:		
Further deductions	(534,281)	(8,644)
Non-deductible expenses	36,669	25,378
Capital allowances	-	(71,271)
Tax threshold deduction and others	168,444	109,967
Provision for taxation in respect of current year's profit	-	545,880
Prior year under provision	-	171,643
Deferred tax expense recognized	-	42,053
Tax expense charged to profit or loss account	-	759,576

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. Subject to the agreement of the Collector of Income Tax, the company has unabsorbed capital allowances amounting to approximately \$126,223 (2017: Nil) which is available for offset against future taxable income.

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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:

	31.12.2018	31.12.2017
	BND	BND
Ultimate parent Company		
- Contributions received/ receivable	322,307	404,913
Parent Company		
- Management fees payable	1,055,907	1,021,932
Other related parties		
- Contributions received/ receivable	77,500	94,944
- Travelling expenses paid/ payable	-	6,534

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	
	31.12.2018	31.12.2017
	BND	BND
Concentration of gross takaful contribution:		
Family Takaful Fund - Saving Plan and Financing/Mortgage	5,341,416	5,146,565
Family Group Takaful Fund - Annual Policy	898,419	718,045
	6,239,835	5,864,610

(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 BND	Ceded to Retakaful BND	Net BND
31.12.2018			
Family Takaful Fund	5,335,410	(857,339)	4,478,071
Family Group Takaful Fund	904,425	(149,849)	754,576
Family Inwards Retakaful Fund	-	-	-
	6,239,835	(1,007,188)	5,232,647
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

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%
2018		
Gross Participant risk fund ("PRF") liabilities	342,981	(302,794)
Net PRF liabilities	179,608	(179,664)
2017		
Gross Participant risk fund ("PRF") liabilities	462,542	(462,718)
Net PRF liabilities	381,123	(381,164)

26. Financial Risk Management Objectives

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

- Shariah non-compliance risk
- Credit risk;
- Liquidity risk;
- Market risks;
- Operational risks; and
- Price risk

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 and Shariah Financial Supervisory Board. 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. 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. 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.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >180 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the company's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

Company	Not e	12 month or lifetime ECL	Gross carrying amount BND	Loss allowanc e BND	Net carrying amount BND
<u>December 31, 2018</u>					
Takaful certificate receivables	6	Life time ECL (simplified approach)	984,152	(446,440)	537,712
Other receivables	7	12 month ECL	4,657,480	-	4,657,480
Debt securities	5	12 month ECL	42,071,593	-	42,071,593

The Company has applied the simplified approach to measure the loss allowance at lifetime ECL for takaful certificate receivables. The Company determined the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile is presented based on their past due status in terms of the provision matrix. Note 6 include further details on the loss allowance of takaful certificate receivables respectively.

Credit exposure by credit quality for debt securities measured at FVTOCI

	31.12.2018	31.12.2017
	BND	BND
Company		
31.12.2018		
Islamic debt securities		
Rated AAA	-	395,555
Rated AA1 to AA3	1,199,502	8,698,395
Rated A1 to A3	10,634,164	11,886,807
Lower than A	10,293,216	5,905,809
Others	19,944,712	12,003,723
	42,071,594	38,890,289

The carrying amount of the Company's financial assets at FVTPL as disclosed in Note 5 best represents their respective maximum exposure to credit risk. The Company holds no collateral over any of these balances.

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

Non-derivative financial assets

The table below summarises the Company's financial and takaful assets and liabilities based on remaining maturities. The tables have been drawn up based on the undiscounted cash flows on the Company's non-derivative financial assets and liabilities on the basis of their earliest possible contractual maturity.

	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
Company								
As at 31 December 2018								
Assets								
Financial assets at FVTOCI	26,783,062	12,304,904	834,967	1,819,721	329,940	—	—	42,071,594
Financial assets at FVTPL	—	—	—	—	—	—	18,768,223	18,768,223
Retakaful certificate assets	87,843	77,822	—	—	—	—	154,282	319,947
Takaful certificate receivables	424,758	112,954	—	—	—	—	—	537,712
Other receivables	3,030,299	615,580	—	11,600	—	—	1,000,000	4,657,479
Short-term placements	—	—	2,000,000	—	—	—	—	2,000,000
Cash and cash equivalents	—	—	—	—	—	—	12,819,478	12,819,478
	30,325,962	13,111,260	2,834,967	1,831,321	329,940	—	32,741,983	81,175,433
Liabilities								
Takaful certificate liabilities	180,139	86,041	431,520	—	—	—	39,801,207	40,498,907
Takaful certificate payables	4,456	488,502	—	—	—	—	—	492,958
Other payables	944,296	992,942	150,913	—	—	—	280,502	2,368,653
	1,128,891	1,567,485	582,433	—	—	—	40,081,711	43,360,520
As at 31 December 2017								
Assets								
AFS financial assets	—	—	—	—	—	—	14,423,600	14,423,600
Financial assets at FVTPL	267,844	—	1,211,867	6,201,787	5,865,229	25,343,562	7,426,256	46,316,545
Retakaful certificate assets	—	256,850	—	—	—	—	—	256,850
Takaful certificate receivables	38,098	125,791	—	—	—	—	—	163,889
Other receivables	95,106	531,171	—	11,600	—	—	—	637,877
Deposits and 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	—	—	—	45,282,627

The gross nominal inflows / (outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities and assets held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts).

As part of the management of its liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents, and debt securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

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 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.

	<USD> BND	<MYR> BND	<HKD> BND	<THB> BND	<IDR> BND
Company					
As at 31 December 2018					
Fixed income securities	28,752,672	14,685,683	2,514,751	271,942	257,069
Company					
As at 31 December 2017					
Fixed income securities	39,086,164	16,347,850	1,160,447	952,355	196,832

Foreign currency sensitivity

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
31.12.2018				
USD	10%	2,875,267	(10%)	(2,875,267)
MYR	10%	1,468,568	(10%)	(1,468,568)
HKD	10%	251,475	(10%)	(251,475)
THB	10%	27,194	(10%)	(27,194)
IDR	10%	25,707	(10%)	(25,707)
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)

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.

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 Company. 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 Company 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

(a) Classes and categories of financial instruments and their fair values

The following table contains information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

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

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			
	FVOCI	FVTPL	Amortised Cost				Total
				Level 1	Level 2	Level 3	
	BND	BND	BND	BND	BND	BND	BND
31.12.2018							
Financial assets measured at fair value							
Equity instruments at FVTPL	—	18,768,223	—	18,768,223	—	—	18,768,223
Fixed income securities in FVTOCI	42,071,594	—	—	42,071,594	—	—	42,071,594
Derivative assets	—	138,127	—	—	138,127	—	138,127
	42,071,594	18,768,223	—	60,839,817			
Financial assets not measured at fair value							
Takaful certificate receivables	—	—	537,712	537,712			
Other receivables	—	—	4,657,480	4,657,480		14,357,700	18,768,223
Short-term placements	—	—	2,000,000	2,000,000		—	42,071,594
Cash and cash equivalents	—	—	12,819,578	12,819,578		—	138,127
	—	138,127	20,014,770	20,152,897			
Financial liabilities not measured at fair value							
Other payables	—	—	2,397,838	2,397,838			
	—	—	2,397,838	2,397,838			

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 2018		31 December 2017					
	Assets	Liabilities	Assets	Liabilities				
Financial assets at FVTOCI (2017: FVTPL) (See Note 5)								
Fixed income securities	42,071,594	–	38,890,289	–	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL (2017: Available for Sale) (See Note 5)								
Quoted equities	4,410,523	–	7,426,256	–	Level 1	Quoted prices in active markets	N/A	N/A
Private equity fund	14,357,700	–	14,423,600	–	Level 3	Net asset valuation of the private equity fund at year end	Net asset value	N/A
Derivative financial instruments (See Note 7)								
Foreign exchange forward contracts	138,127	–	148,548	–	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:

	31.12.2018	31.12.2017
	BND	BND
Financial assets at FVTPL		
(2017: Available for sale financial assets)		
Opening balance as at 1 January	14,423,600	14,075,996
Capital calls during the year	-	849,776
Gains or losses recognised in other comprehensive income (OCI) for the year:		
- Net change in fair value	-	533,620
- Net foreign exchange revaluation	-	(1,035,792)
Gains or losses recognised in profit or loss		
- Net change in fair value	(259,900)	-
- Net change in foreign exchange revaluation	194,000	-
Balance as at 31 December	14,357,700	14,423,600

27. Dividends

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, 2018.

28. Operating Lease Commitments

The future aggregate minimum lease payments operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	31.12.2018	31.12.2017
	BND	BND
Not later than one year	70,000	130,000
Later than one year but not later than five years	8,000	14,000
	78,000	144,000

29. 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 \$762 (2017: \$195) and has designated to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee.

30. Authorisation of financial statements

The financial statements of the Company for the financial year ended December 31, 2018 were authorised for issue in accordance with a resolution of the directors dated April 4, 2019.