

**INSURANS ISLAM TAIB FAMILY TAKAFUL SDN BHD**  
(Incorporated in Brunei Darussalam)  
[Registration Number: [RC/00008253]]

**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**INSURANS ISLAM TAIB FAMILY TAKAFUL SDN BHD**  
(Incorporated in Brunei Darussalam)  
[Registration Number: [RC/00008253]]

**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

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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, 2020.

**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	6,709,609
Profit for the year	749,180
Transfer to general reserve	<u>(262,212)</u>
Retained earnings at the end of the year	<u><u>7,196,577</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, 2020.

**RESERVES AND PROVISIONS**

There were no transfers to or from reserves and provisions 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 Awang Haji Khairuddin bin Haji Abdul Hamid - Chairman

Yang Mulia Pengiran Hajah Zety Sufina Binti Pengiran Dato Paduka Haji Sani - Director

Yang Mulia Datin Dayang Hajah Hasnah Binti Haji Ibrahim - Director

Yang Mulia Dr. Awang Norfarizal Bin Othman - Director

Yang Mulia Mr. Ramesh Pillai - Director

## 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 as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## AUDITORS

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

## ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

Brunei Darussalam  
Date: March 23, 2021

## REPORT OF THE SYARIAH ADVISORY COMMITTEE



الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى اله  
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") Syariah Advisory Committee 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 year ended December 31, 2020. 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 Syariah Division which also include Syariah 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 Syariah Advisory Committee of IITFT are of the opinion and hereby confirm that:-

- a) The contracts, transactions and dealings entered into by IITFT during the year ended December 31, 2020 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 Syariah non-compliant income specifically derived from conventional banks and dividend purification from investment from the Statement of Profit or Loss and Other Comprehensive Income amounting to \$6,536 (2019: \$12,452) and has been considered for disposal to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Syariah Advisory Committee of Perbadanan TAIB.

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 ولي التوفيق والهداية



Yang Mulia Awang Haji Dennie  
bin Haji Abdullah  
*Chairman*



Yang Mulia Dr. Awang Azme bin Haji Matali  
*Deputy Chairman*



Yang Mulia Awang Haji Mohd Serudin bin  
Haji Timbang  
*Member*



Yang Arif Awang Haji Hassan bin Haji Metali  
*Member*



Yang Mulia Dayang Hajah Nornaimah binti  
Haji Zainip  
*Secretary and Member*

Brunei Darussalam  
Date: March 23, 2021

## 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, 2020 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 8 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, 2020 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 Syariah Advisory Committee, as set out on pages 1 to 4.

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

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

### **Responsibilities of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

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

#### **Report on Other Legal and Regulatory Requirements**

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



**DELOITTE & TOUCHE**  
Certified Public Accountants



**HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN**  
Public Accountant

Brunei Darussalam  
Date: March 23, 2021

**Statement of profit or loss and other comprehensive income**  
**Year ended 31 December 2020**

	Note	31.12.2020			31.12.2019		
		Takaful Operator BND	Takaful Fund BND	Company BND	Takaful Operator BND	Takaful Fund BND	Company BND
Gross takaful contributions	11(c)	-	8,275,141	8,275,141	-	7,795,349	7,795,349
Changes in unearned contribution reserves		-	155,656	155,656	-	(404,682)	(404,682)
Gross earned contributions	11(c)	-	8,430,797	8,430,797	-	7,390,667	7,390,667
Contributions ceded to retakaful	11(c)	-	(1,231,573)	(1,231,573)	-	(1,158,346)	(1,158,346)
Changes in unearned retakaful contribution reserves		-	-	-	-	-	-
Earned contributions ceded to retakaful	11(c)	-	(1,231,573)	(1,231,573)	-	(1,158,346)	(1,158,346)
<b>Net earned contributions</b>	11(c)	-	7,199,224	7,199,224	-	6,232,321	6,232,321
Wakalah fee income (expense)	20	924,372	(924,372)	-	-	-	-
Changes in unearned wakalah income	12	(219,486)	-	(219,486)	-	-	-
<b>Net earned wakalah fee</b>		704,886	(924,372)	(219,486)	-	-	-
<b>Total net earned contributions and wakalah fee</b>		704,886	6,274,852	6,979,738	-	6,232,321	6,232,321
Movement in gross claim and benefits paid	11(a)	-	(2,334,069)	(2,334,069)	-	(1,768,460)	(1,768,460)
Gross claims and benefits recovered from retakaful	11(a)	-	479,653	479,653	-	913,069	913,069
Net changes to takaful contract liabilities		-	(3,844,181)	(3,844,181)	-	(4,418,604)	(4,418,604)
<b>Net benefits and claims</b>		-	(5,698,597)	(5,698,597)	-	(5,273,995)	(5,273,995)
<b>Takaful profit</b>		704,886	576,255	1,281,141	-	958,326	958,326

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 2020**

	Note	31.12.2020			31.12.2019		
		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
Investment income	21	546,049	3,456,561	4,002,610	1,199,051	816,871	2,015,922
Other operating income	22	222,306	147,059	369,365	409,863	80,026	489,889
<b>Total other revenue</b>		<b>768,355</b>	<b>3,603,620</b>	<b>4,371,975</b>	<b>1,608,914</b>	<b>896,897</b>	<b>2,505,811</b>
Commission expense		(146,456)	(340,449)	(486,905)	-	(215,519)	(215,519)
Management expenses	23	(2,537,840)	(287,947)	(2,825,787)	(2,783,587)	(186,374)	(2,969,961)
Change in expense liabilities	24	(850,452)	-	(850,452)	(625,474)	-	(625,474)
Other gains and losses	25	(240,501)	137,972	(102,529)	(239,743)	(378,137)	(617,880)
<b>Total other expenses</b>		<b>(3,775,249)</b>	<b>(490,424)</b>	<b>(4,265,673)</b>	<b>(3,648,804)</b>	<b>(780,030)</b>	<b>(4,428,834)</b>
<b>Operating (loss) profit before surplus transfers</b>		<b>(2,302,008)</b>	<b>3,689,451</b>	<b>1,387,443</b>	<b>(2,039,890)</b>	<b>1,075,193</b>	<b>(964,697)</b>
Surplus attributable to operator		3,051,188	(3,051,188)	-	1,556,304	(1,556,304)	-
(Surplus) loss attributable to participants' fund		-	(638,263)	(638,263)	-	481,111	481,111
<b>Profit (loss) before taxation</b>		<b>749,180</b>	<b>-</b>	<b>749,180</b>	<b>(483,586)</b>	<b>-</b>	<b>(483,586)</b>
Income tax	26	-	-	-	234,181	-	234,181
<b>Net profit (loss) for the year</b>		<b>749,180</b>	<b>-</b>	<b>749,180</b>	<b>(249,405)</b>	<b>-</b>	<b>(249,405)</b>

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 2020**

	31.12.2020			31.12.2019		
	Takaful Operator BND	Takaful Fund BND	Company BND	Takaful Operator BND	Takaful Fund BND	Company BND
<b>Net profit (loss) for the year</b>	749,180	-	749,180	(249,405)	-	(249,405)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Change in fair value of investments at FVTOCI	379,837	959,310	1,339,147	1,212,417	1,217,351	2,429,768
Other comprehensive income attributable to participants' fund	-	(959,310)	(959,310)	-	(1,217,351)	(1,217,351)
<b>Total comprehensive income for the year</b>	1,129,017	-	1,129,017	963,012	-	963,012

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

**Statement of financial position**  
**As at 31 December 2020**

	31.12.2020			31.12.2019		
Note	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
Assets						
Plant and equipment	4	464,398	-	464,398	-	600,272
Right-of-use assets	5	262,023	-	262,023	-	59,810
Investments	6	20,393,093	40,252,337	60,645,430	38,272,127	58,910,517
Retakaful certificate assets	11	-	451,573	451,573	546,683	546,683
Takaful certificate receivables	7	-	666,304	666,304	839,797	839,797
Other receivables	8	4,171,666	893,924	4,659,289	1,033,741	6,798,619
Deposits and placements	9	-	12,000,000	12,000,000	2,000,000	2,000,000
Cash and cash equivalents	10	5,126,682	6,966,184	12,092,866	17,034,371	17,474,944
Total assets		30,417,862	61,230,322	91,241,883	59,726,719	87,230,642
Liabilities						
Takaful certificate liabilities	11	-	43,845,390	43,845,390	42,271,573	42,271,573
Provision for unearned wakalah fee	12	219,486	-	219,486	-	-
Takaful certificate payables	13	-	371,106	371,106	333,787	333,787
Expense liabilities	14	6,350,464	-	6,350,464	-	5,500,012
Other payables	15	837,518	2,298,127	2,729,344	3,567,097	3,896,438
Lease liability	16	266,366	-	266,366	-	59,559
Current tax liabilities		-	-	-	-	-
Total liabilities		7,673,834	46,514,623	53,782,156	46,172,457	52,061,369

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

Statement of financial position (cont'd...)  
As at 31 December 2020

Note	31.12.2020			31.12.2019		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
<b>Participants' fund</b>						
17	-	14,715,699	14,715,699	-	13,554,262	13,554,262
<b>Equity</b>						
Share capital	8,000,002	-	8,000,002	8,000,002	-	8,000,002
General reserve	6,501,546	-	6,501,546	6,239,334	-	6,239,334
Investment revaluation reserve	1,045,903	-	1,045,903	666,066	-	666,066
Retained earnings	7,196,577	-	7,196,577	6,709,609	-	6,709,609
<b>Total shareholders' equity</b>	22,744,028	-	22,744,028	21,615,011	-	21,615,011
<b>Total liabilities, equity and participants' fund</b>	30,417,862	61,230,322	91,241,883	28,737,416	59,726,719	87,230,642

*Yusuf*

DIRECTOR

*Lawrence*

DIRECTOR

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

**Statement of policyholders' surplus**  
**As at 31 December 2020**

	<b>Takaful Fund</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
<b>Surplus balance at beginning of year</b>	<b>13,554,262</b>	<b>12,763,878</b>
Surplus (loss) for the current financial year	638,263	(481,111)
Fair value reserve for the current financial year	959,310	1,217,351
<b>Total surplus at the end of year</b>	<b>15,151,835</b>	<b>13,500,118</b>
Distribution/transfer to policy holders	(436,136)	54,144
<b>Balance of retained surplus at end of year</b>	<b>14,715,699</b>	<b>13,554,262</b>

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

**Statement of changes in equity**  
**Year ended 31 December 2020**

	Share capital	General reserve	Investment revaluation reserve	Retained earnings	Total
	BND	BND		BND	BND
<b>At 1 January 2019</b>	8,000,002	6,239,334	(546,351)	6,959,014	20,651,999
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	-	(249,405)	(249,405)
Other comprehensive income for the financial year	-	-	1,212,417	-	1,212,417
<b>At 31 December 2019</b>	8,000,002	6,239,334	666,066	6,709,609	21,615,011
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	749,180	749,180
Other comprehensive income for the financial year	-	-	379,837	-	379,837
<b>Transactions with owners, recognised directly in equity:</b>					
Transfer to general reserve	-	262,212	-	(262,212)	-
<b>At 31 December 2020</b>	8,000,002	6,501,546	1,045,903	7,196,577	22,744,028

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



**Statement of cash flows**  
**Year ended 31 December 2020**

	Note	31.12.2020 BND	31.12.2019 BND
<b>Cash flows from operating activities</b>			
Loss (profit) before taxation		749,180	(483,586)
<b>Adjustments for:</b>			
Increase in expense liabilities		850,452	625,474
Surplus transferred to participants' fund		638,263	481,111
Increase in provision for unearned wakalah fee		219,486	-
Depreciation		202,481	204,864
Foreign exchange differences		155,302	304,840
Movement (reversal) of impairment loss in takaful receivables		78,603	313,040
Depreciation – right-of-use assets		66,176	62,899
Finance costs		10,418	2,850
Net change in provision for takaful contracts		(436,136)	309,273
Net fair value (gain) loss from investment		(604,541)	2,836,877
Dividend and profit income		(3,398,069)	(2,015,922)
		(1,468,385)	2,641,720
<b>Changes in working capital:</b>			
Retakaful assets		95,110	(226,736)
Takaful receivables		94,890	(615,125)
Other receivables		2,139,330	(2,141,139)
Takaful certificate liabilities		1,573,817	1,772,665
Takaful payables		37,319	(159,171)
Other payables		(1,167,094)	1,527,785
Cash generated from operations		1,304,987	2,799,999
Income taxes paid		-	-
Finance costs paid		(10,418)	(2,850)
<b>Net cash generated from operating activities</b>		1,294,569	2,797,149
<b>Cash flows from investing activities</b>			
Withdrawal of deposits and placements		(10,000,000)	-
Dividend and profit received		3,451,542	2,015,922
Acquisition of plant and equipment		(66,607)	(94,455)
<b>Net cash (used in) from investing activities</b>		(6,615,065)	1,921,467
<b>Cash flows used in financing activities</b>			
Repayment of lease liabilities		(61,582)	(63,150)
<b>Net (decrease) increase in cash and cash equivalents</b>		(5,382,078)	4,655,466
Cash and cash equivalents at 1 January		17,474,944	12,819,478
<b>Cash and cash equivalents at 31 December</b>	10	12,092,866	17,474,944

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 23, 2021.

### **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 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 2020 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 Standards issued but not yet effective

The following accounting standards have been issued by the International Accounting Standards (IASB) but are not yet effective for the company and earlier application is permitted; however, the company has not early applied the following accounting standards in preparing these financial statements.

Accounting standards	Summary of the requirements	Possible impact on financial statements
IFRS 17 – Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	It is not practicable to provide a reasonable estimate of the effect of the IFRS17 until a detailed review is completed.

	<p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.</p> <p>In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.</p> <p>IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.</p> <p>For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.</p>	
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	The company does not anticipate that the amendments to IAS 1 will have a material impact on its financial statements.

	<p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.</p>	
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	<p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.</p> <p>The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</p>	The company does not anticipate that the amendments to IAS 16 will have a material impact on its financial statements.

<p>Amendments to IAS 37 – Onerous Contracts — Cost of Fulfilling a Contract</p>	<p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>The company does not anticipate that the amendments to IAS 37 will have a material impact on its financial statements.</p>
<p>Annual Improvements to IFRS 1 First-time Adoption of International Financial Reporting Standards</p>	<p>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).</p> <p>The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>The company does not anticipate that the annual improvement to IFRS 1 will have a material impact on its financial statements.</p>

### **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**

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

Financial assets 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.

Financial assets 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 contributions 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 29. 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 25). Fair value is determined in the manner described in note 29.

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 25);
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (note 25); 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 25). 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 accompanied 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 Leases**

#### The company as lessee

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective profit rate method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.5.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### **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 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 Takaful 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 Syariah 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 Wakalah model, effective January 17, 2020, and Mudharabah model, respectively.

For the participating contracts, a profit sharing ratio of 30:70 for contracts based on Mudharabah and Wakalah models 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 Syariah Advisory Committee. Wakalah fee at 35% of the gross contribution is charged by the Takaful Operator and is recognized at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Syariah.

For non-participating contracts, a profit sharing ratio of 99:1 between the operator and fund is applied and profits are distributable in accordance with the terms and conditions prescribed by the company and approved by the Syariah Advisory Committee.

(c) Family Group Takaful Fund

A profit sharing ratio of 60:40 and 30:70 is applied for contracts based on Mudharabah and Wakalah model, respectively, between the operator and participants when distributing the net surplus of the fund in accordance to the terms and conditions prescribed by the company and approved by the Syariah Advisory Committee.

For contracts based on Wakalah model, a wakalah fee at 30% of the gross contribution is charged by the Takaful Operator and is recognized at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Syariah.

(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 Syariah 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. The UCR is calculated on net contribution income with a deduction for wakalah fee expenses to reflect the Wakalah model.

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 operator's surplus share in accordance to the rules prescribed by the company and approved by the Syariah 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 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 contributions and takaful claims. Where an expected shortfall is identified, additional provisions are made for unearned contributions 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 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 Syariah 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 3.12 (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 contribution and accretion of discount rate are recognised on a time proportion basis taking into account the principle outstanding and the effective date over the period to maturity, when it is determined that such income will accrue to the company. Dividend income is recognised when the right to receive payment is established.

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

### **3.15 Employee benefits**

#### *(i) Defined contribution plans*

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

#### *(ii) Short-term employee benefits*

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

### **3.16 Zakat**

The company is exempted from Zakat under the “tabi’ matbu” principle as advised by the Syariah 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 Syariah 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 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.

**(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.

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#### 4. Plant and equipment

Company	Computer hardware and software	Furniture, fixtures and fittings	Renovations	Total
	BND	BND	BND	BND
<b>Cost</b>				
At 1 January 2019	719,161	69,672	349,165	1,137,998
Additions	32,977	4,880	56,598	94,455
At 31 December 2019	752,138	74,552	405,763	1,232,453
Additions	64,479	-	2,128	66,607
At 31 December 2020	816,617	74,552	407,891	1,299,060
<b>Accumulated depreciation</b>				
At 1 January 2019	(243,847)	(50,787)	(132,683)	(427,317)
Additions	(153,390)	(13,748)	(37,726)	(204,864)
At 31 December 2019	(397,237)	(64,535)	(170,409)	(632,181)
Additions	(156,852)	(4,858)	(40,771)	(202,481)
At 31 December 2020	(554,089)	(69,393)	(211,180)	(834,662)
<b>Carrying amounts</b>				
At 31 December 2019	354,901	10,017	235,534	600,272
At 31 December 2020	262,528	5,159	196,711	464,398

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## 5. Right of use asset

The Company leases office space with an average lease term of 3 years.

	<u>Office Space</u> <u>BND</u>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2019	68,070
Additions	<u>54,639</u>
At 31 December 2019	122,709
Additions	<u>268,389</u>
At 31 December 2020	<u><u>391,098</u></u>
<b>Accumulated depreciation</b>	
At 1 January 2019	-
Additions	<u>(62,899)</u>
At 31 December 2019	(62,899)
Additions	<u>(66,176)</u>
At 31 December 2020	<u><u>(129,075)</u></u>
<b>Carrying amounts</b>	
At 1 January 2020	<u><u>59,810</u></u>
At 31 December 2020	<u><u>262,023</u></u>

One of the lease contracts for office space expired in the current financial year. The expired contract was replaced by a new lease for identical underlying asset. This resulted in additions to right-of-use assets of \$ 268,389 in 2020.

## 6. Investments

		<u>Takaful Operator BND</u>	<u>Takaful Fund BND</u>	<u>Company BND</u>
<b>31.12.2020</b>				
Investments at FVTPL	(a)	5,289,705	14,144,000	19,433,705
Investments at FVTOCI	(b)	<u>15,103,388</u>	<u>26,108,337</u>	<u>41,211,725</u>
		<u><u>20,393,093</u></u>	<u><u>40,252,337</u></u>	<u><u>60,645,430</u></u>
<b>31.12.2019</b>				
Investments at FVTPL	(a)	4,643,657	12,938,050	17,581,707
Investments at FVTOCI	(b)	<u>15,994,733</u>	<u>25,334,077</u>	<u>41,328,810</u>
		<u><u>20,638,390</u></u>	<u><u>38,272,127</u></u>	<u><u>58,910,517</u></u>

(a) **Financial assets at FVTPL**

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

	<b>Takaful Operator BND</b>	<b>Takaful Fund BND</b>	<b>Company BND</b>
<b>31.12.2020</b>			
Quoted equity securities	5,289,705	-	5,289,705
Unquoted equity securities	-	14,144,000	14,144,000
<b>Financial assets at FVTPL</b>	<b>5,289,705</b>	<b>14,144,000</b>	<b>19,433,705</b>
<b>31.12.2019</b>			
Quoted equity securities	4,643,657	-	4,643,657
Unquoted equity securities	-	12,938,050	12,938,050
<b>Financial assets at FVTPL</b>	<b>4,643,657</b>	<b>12,938,050</b>	<b>17,581,707</b>

(b) **Financial assets at FVTOCI**

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

	<b>Takaful Operator BND</b>	<b>Takaful Fund BND</b>	<b>Company BND</b>
<b>31.12.2020</b>			
Quoted fixed income securities	15,103,388	26,108,337	41,211,725
<b>Financial assets at FVTOCI</b>	<b>15,103,388</b>	<b>26,108,337</b>	<b>41,211,725</b>
<b>31.12.2019</b>			
Quoted fixed income securities	15,994,733	25,334,077	41,328,810
<b>Financial assets at FVTOCI</b>	<b>15,944,733</b>	<b>25,334,077</b>	<b>41,328,810</b>

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

## 7. Takaful certificate receivables

	<b>Takaful Fund and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Due from agents/brokers and co-takaful balances	1,376,170	1,136,238
Due from retakaful operators	128,217	463,039
	<u>1,504,387</u>	<u>1,599,277</u>
Less: Loss allowance under IFRS 9	(838,083)	(759,480)
	<u>666,304</u>	<u>839,797</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.

	<b>Takaful certificate receivables</b>				
	<b>Less than 30 days (Not Past Due)</b>	<b>30 to 90 days</b>	<b>90 to 180 days</b>	<b>More than 180 days</b>	<b>Total</b>
<b>December 31, 2020</b>					
Expected Credit loss rate	11.57%	28.92%	57.83%	100.00%	
Estimated total gross carrying amount	472,287	267,194	116,815	648,091	1,504,387
Less: Estimated total gross carrying amount not subject to ECL	-	-	-	(9,447)	(9,447)
Estimated total gross carrying amount at default	472,287	267,194	116,815	638,644	1,494,940
Lifetime ECL	(54,624)	(77,260)	(67,555)	(638,644)	(838,083)

<b>December 31, 2019</b>					
Expected Credit loss rate	10.96%	27.41%	54.82%	100%	
Estimated total gross carrying amount	589,418	336,237	154,476	519,146	1,599,277
Less: Estimated total gross carrying amount not subject to ECL	(9,445)	-	-	-	(9,445)
Estimated total gross carrying amount at default	579,973	336,237	154,476	519,146	1,589,832
Lifetime ECL	(63,501)	(92,156)	(84,677)	(519,146)	(759,480)

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.

	<b>Takaful Fund &amp; Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>BND</b>	<b>BND</b>
Balance at the beginning of the year	759,480	446,440
Movement in loss allowance during the year	78,603	313,040
Balance at the end of the year	<u>838,083</u>	<u>759,480</u>

The company's exposure to credit and currency risks, and impairment losses related to Takaful and other receivables are disclosed in note 29.

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## 8. Other Receivables

	<b>Takaful Operator</b>	<b>Takaful Fund</b>	<b>Company</b>
	<b>BND</b>	<b>BND</b>	<b>BND</b>
<b>31.12.2020</b>			
Amount owing from parent company	2,400,000	-	2,400,000
Deposits, prepayments and others	1,189,908	648,905	1,838,813
Amount owing from Family Takaful Fund	258,432	-	-
Derivative Assets at fair value*	323,326	-	323,326
Amount owing from Takaful Operator of Family Takaful Fund	-	147,869	-
Amount due from ultimate parent	-	97,150	97,150
	<b>4,171,666</b>	<b>893,924</b>	<b>4,659,289</b>
<b>31.12.2019</b>			
Amount owing from parent company	4,436,445	17	4,436,462
Deposits, prepayments and others	1,183,704	314,888	1,498,592
Amount owing from Family Takaful Fund	1,204,663	-	-
Derivative Assets at fair value*	171,775	-	171,775
Amount owing from Takaful Operator of General Takaful Fund	1,784	-	1,784
Amount due from ultimate parent	-	97,636	97,636
Amount owing from Takaful Operator of Family Takaful Fund	-	28,830	-
Amount owing from General Takaful Fund	-	592,370	592,370
	<b>6,998,371</b>	<b>1,033,741</b>	<b>6,798,619</b>

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 \$323,326 (2019: \$171,775) as at December 31, 2020 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:

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Contract or underlying principal amount</b>	<b>Gross positive fair value</b>	<b>Gross negative fair value</b>	<b>Contract or underlying principal amount</b>	<b>Gross positive fair value</b>	<b>Gross negative fair value</b>
Foreign exchange derivatives:						
Forwards	15,395,288	323,326	-	15,913,124	171,775	-

## 9. 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 1.29% (2019: 1.22%) per annum and have a maturity period within 9 months (2019: 24 months) from balance sheet date.

## 10. Cash and cash equivalents

	<b>Takaful Operator BND</b>	<b>Takaful Fund BND</b>	<b>Company BND</b>
<b>31.12.2020</b>			
Cash and bank balances	5,126,682	6,966,184	12,092,866
<b>31.12.2019</b>			
Cash and bank balances	440,573	17,034,371	17,474,944

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

### Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities.

	At January 1, 2020 BND	Financing cash flows <sup>(i)</sup> BND	New leases BND	Other charges <sup>(ii)</sup> BND	At December 31, 2020 BND
Lease liabilities	59,559	(61,582)	268,389	-	266,366

<sup>(i)</sup> The cash flows make up the net amount of repayments of lease liabilities in the statement of cash flows.

<sup>(ii)</sup> Other changes include interest accruals and payments.

## 11. Takaful certificate liabilities

The Takaful certificate liabilities are comprised the following:

		<b>Takaful Fund and Company</b>		
		<b>Gross BND</b>	<b>Ceded to Retakaful BND</b>	<b>Net BND</b>
<b>31.12.2020</b>				
Provision for outstanding claims	(a)	2,366,140	(320,223)	2,045,917
Family Takaful funds	(b)	40,678,149	(131,350)	40,546,799
Provision for unearned contributions	(c)	801,101	-	801,101
		43,845,390	(451,573)	43,393,817

Takaful Fund and Company			
	Gross	Ceded to	Net
	BND	Retakaful	BND
31.12.2019			
Provision for outstanding claims	(a) 2,028,792	(451,211)	1,577,581
Family Takaful funds	(b) 39,286,024	(95,472)	39,190,552
Provision for unearned contributions	(c) 956,757	-	956,757
	42,271,573	(546,683)	41,724,890

**(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
31.12.2020			
Provision for claims incurred and admitted	419,090	(107,560)	311,530
Provision for incurred but not reported claims (IBNR)	1,947,050	(212,663)	1,734,387
<b>Provision for outstanding claims</b>	<b>2,366,140</b>	<b>(320,223)</b>	<b>2,045,917</b>

Takaful Fund and Company			
	Gross	Ceded to	Net
	BND	Retakaful	BND
31.12.2019			
Provision for claims incurred and admitted	996,743	(63,317)	933,426
Provision for incurred but not reported claims (IBNR)	1,032,049	(387,894)	644,155
<b>Provision for outstanding claims</b>	<b>2,028,792</b>	<b>(451,211)</b>	<b>1,577,581</b>

Movement of provision for outstanding claims:

Takaful Fund and Company			
	Gross	Ceded to	Net
	BND	Retakaful	BND
1.1. 2019			
Movement in claims reserve	1,365,512	(319,947)	1,045,565
Claims paid during the year	1,768,460	(913,069)	855,391
	(1,105,180)	781,805	(323,375)
31.12. 2019			
Movement in claims reserve	2,028,792	(451,211)	1,577,581
Claims paid during the year	2,334,069	(479,653)	1,854,416
	(1,996,721)	610,641	(1,386,080)
31.12.2020			
	2,366,140	(320,223)	2,045,917



**(b) Family Takaful funds**

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

	<b>Takaful Fund and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Family Takaful – participants account	26,830,764	26,719,951
Family Takaful - mortgage	11,935,891	10,673,648
Family Takaful - 100% Tabarru'	1,903,226	1,883,524
Family Takaful – participants special account	8,268	8,901
Total Family Takaful funds, gross	40,678,149	39,286,024
Less: Ceded to Retakaful	(131,350)	(95,472)
Total Family Takaful Fund, net	40,546,799	39,190,552

Movement of Family Takaful funds:

	<b>Takaful Fund and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
At the beginning of the year	39,286,024	38,581,320
Net earned contributions	4,260,438	5,067,805
Gross claim and benefits ceded to retakaful	640,659	664,734
Net surplus payable	-	(20,318)
Actuarial surplus transferred in (out)	406,542	(420,053)
Actuarial reserves	35,877	95,472
Liabilities paid for death claims and benefits	(1,320,126)	(1,313,935)
Gross changes to takaful contract liabilities	(2,631,265)	(3,369,001)
At the end of the year	40,678,149	39,286,024

**(c) Provision for unearned contributions**

Movement of provision for unearned contributions:

	<b>Takaful Fund and Company</b>		
	<b>Gross</b>	<b>Ceded to</b>	<b>Net</b>
	<b>BND</b>	<b>Retakaful</b>	<b>BND</b>
<b>1.1. 2019</b>	552,075	-	552,075
Contributions written during the year	7,795,349	(1,158,346)	6,637,003
Contributions earned during the year	(7,390,667)	1,158,346	(6,232,321)
<b>31.12. 2019</b>	956,757	-	956,757
Contributions written during the year	8,275,141	(1,231,573)	7,043,568
Contributions earned during the year	(8,430,797)	1,231,573	(7,199,224)
<b>31.12.2020</b>	801,101	-	801,101

## 12. Provision for unearned wakalah fee

	<b>Takaful Operator and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
<b>1.1.2020</b>	-	-
Increase during the year	219,486	-
<b>31.12.2020</b>	<u>219,486</u>	<u>-</u>

There is no provision for unearned wakalah fee for the year December 31, 2019 as the company adopted wakalah model effective January 17, 2020.

## 13. Takaful certificate payables

	<b>Takaful Fund and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Due to retakaful companies	371,106	333,787

Takaful certificate payables are current.

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

## 14. Expense liabilities

	<b>Takaful Operator and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Expense liabilities	<u>6,350,464</u>	<u>5,500,012</u>

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:*

	<b>Takaful Operator and Company</b>
	<b>BND</b>
<b>1.1.2019</b>	4,874,538
Movement in provision for unexpired expense reserve	<u>625,474</u>
<b>31.12.2019</b>	5,500,012
Movement in provision for unexpired expense reserve	<u>850,452</u>
<b>31.12.2020</b>	<u>6,350,464</u>

## 15. Other payables

	<b>Takaful Operator</b>	<b>Takaful Fund</b>	<b>Company</b>
	<b>BND</b>	<b>BND</b>	<b>BND</b>
<b>31.12.2020</b>			
Advanced contributions from participants	-	985,532	985,532
Profit payable to participants	-	999,681	999,681
Provision for unutilised leave	1,454	-	1,454
Amount owing to parent	23,009	-	23,009
Amount owing to Family Takaful Fund	147,869	-	-
Amount owing to Takaful Operator of Family Takaful Fund	-	258,432	-
Amount owing to Takaful Operator of General Takaful Fund	24,769	-	24,769
Amount owing to General Takaful Fund	818	-	818
Other creditors	639,599	54,482	694,081
	<b>837,518</b>	<b>2,298,127</b>	<b>2,729,344</b>
<b>31.12.2019</b>			
Advanced contributions from participants	-	886,787	886,787
Profit payable to participants	-	1,219,401	1,219,401
Provision for unutilised leave	1,170	-	1,170
Amount owing to parent	908,857	-	908,857
Amount owing to Family Takaful Fund	28,830	-	-
Amount owing to Takaful Operator of Family Takaful Fund	-	1,204,663	-
Amount owing to Takaful Operator of General Takaful Fund	249,736	-	249,736
Amount owing to General Takaful Fund	1,023	181,440	182,463
Other creditors	373,218	74,806	448,024
	<b>1,562,834</b>	<b>3,567,097</b>	<b>3,896,438</b>

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

## 16. Lease liabilities

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Maturity Analysis:		
Year 1	72,000	22,000
Year 2	72,000	12,000
Year 3	72,000	12,000
Year 4	66,000	12,000
Year 5	10,000	7,000
	<b>292,000</b>	<b>65,000</b>
Less: Future interest	<b>(25,634)</b>	<b>(5,441)</b>
	<b>266,366</b>	<b>59,559</b>

The company does not face a significant liquidity risk with regard to its lease liabilities.

## 17. Participants' fund

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

	31.12.2020	31.12.2019
	BND	BND
Family Takaful Fund	14,715,699	13,554,262

The participants' fund movements are analysed as follows:

	Takaful Fund and Company	
	31.12.2020	31.12.2019
	BND	BND
<b>Accumulated surplus</b>		
At beginning of year	12,672,774	13,099,741
Underwriting surplus	3,689,451	1,075,193
Surplus attributed to operator	(3,051,188)	(1,556,304)
Distribution/transfer to policyholders	(436,136)	54,144
At end of year	12,874,901	12,672,774
<b>Fair value reserve</b>		
At beginning of year	881,488	(335,863)
Net gains on fair value changes	959,310	1,217,351
At end of year	1,840,798	881,488
Participants' fund at end of the year	14,715,699	13,554,262

## 18. Share capital

	31.12.2020	31.12.2019
	Number of shares	Number of shares
<b>Company</b>		
Authorised ordinary shares	20,000,000	20,000,000
	BND	BND
<b>Issued and paid up</b>		
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.

In accordance with Takaful with Section 21 of the Takaful Order, 2008 and Section 8 of the Takaful Regulations 2008, the company is required to maintain:

- i) a fund margin of solvency in respect of each of the takaful funds;
- ii) takaful operator to maintain surplus of assets over liabilities of not less than 20 percent.

The company was in compliance (2019: in compliance) with the prescribed margin of solvency for the participants' fund as well as the takaful operator fund throughout the year.

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

## 19. General reserve

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

## 20. Wakalah fee

	<b>Takaful Operator BND</b>	<b>Takaful Fund BND</b>	<b>Company BND</b>
<b>31.12.2020</b>			
Wakalah fee income	924,372	-	-
Wakalah fee expense	-	(924,372)	-
	<u>924,372</u>	<u>(924,372)</u>	<u>-</u>
<b>31.12.2019</b>			
Wakalah fee income	-	-	-
Wakalah fee expense	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

There is no wakalah fee for the year December 31, 2019 as the company adopted wakalah model effective January 17, 2020.

## 21. Investment income

	<b>Takaful Operator</b>	<b>Takaful Fund</b>	<b>Company</b>
	<b>BND</b>	<b>BND</b>	<b>BND</b>
<b>31.12.2020</b>			
Dividend income	657,479	2,794,063	3,451,542
Fair value (loss) gains	(57,957)	662,498	604,541
Loss on disposal of investment	(53,473)	-	(53,473)
	<u>546,049</u>	<u>3,456,561</u>	<u>4,002,610</u>
<b>31.12.2019</b>			
Dividend income	921,710	2,219,858	3,141,568
Fair value gains (loss)	88,949	(1,419,650)	(1,330,701)
Gain on disposal of investment	188,392	16,663	205,055
	<u>1,199,051</u>	<u>816,871</u>	<u>2,015,922</u>

## 22. Other operating income

	<b>Takaful Operator</b>	<b>Takaful Fund</b>	<b>Company</b>
	<b>BND</b>	<b>BND</b>	<b>BND</b>
<b>31.12.2020</b>			
Miscellaneous income	219,246	147,059	366,305
Service charges	3,060	-	3,060
	<u>222,306</u>	<u>147,059</u>	<u>369,365</u>
<b>31.12.2019</b>			
Miscellaneous income	400,873	80,026	480,899
Service charges	8,990	-	8,990
	<u>409,863</u>	<u>80,026</u>	<u>489,889</u>

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### 23. Management expense

	Takaful Operator		Takaful Fund		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	BND	BND	BND	BND	BND	BND
Salaries, bonuses and other employee benefits	929,907	1,034,015	-	-	929,907	1,034,015
Management fees payable to parent company	747,303	782,229	-	-	747,303	782,229
Others expenses	342,646	341,044	287,947	186,374	630,593	527,418
Depreciation	268,657	267,763	-	-	268,657	267,763
Legal, professional and audit fees	127,039	205,026	-	-	127,039	205,026
Marketing and promotional costs	73,883	97,603	-	-	73,883	97,603
Utilities	44,649	46,086	-	-	44,649	46,086
Office rental expenses	3,756	9,821	-	-	3,756	9,821
	(2,537,840)	(2,783,587)	(287,947)	(186,374)	(2,825,787)	(2,969,961)

**24. Change in expense liability**

	<b>Takaful Operator and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Increase in unexpired expense reserve	850,452	625,474

**25. Other gains and losses**

	<b>Takaful Operator BND</b>	<b>Takaful Fund BND</b>	<b>Company BND</b>
<b>31.12.2020</b>			
Movement of impairment in takaful receivables	-	(78,603)	(78,603)
Foreign exchange (losses) gains	(240,501)	216,575	(23,926)
	(240,501)	137,972	(102,529)
<b>31.12.2019</b>			
Movement of impairment in takaful receivables	-	(313,040)	(313,040)
Foreign exchange losses	(239,743)	(65,097)	(304,840)
	(239,743)	(378,137)	(617,880)

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## 26. Income tax

	<b>Takaful Operator and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Current year	-	-
Prior year over provision	-	234,181
	-	234,181

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:

	<b>Takaful Operator and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Profit (loss) before taxation	749,180	(483,586)
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	138,598	(89,463)
Adjustments:		
Further deductions	(9,325)	(8,922)
Non-deductible expenses	55,804	5,450
Capital allowances	(42,008)	-
Tax threshold deduction and others	(143,069)	92,935
Provision for taxation in respect of current year's profit	-	-
Prior year over provision	-	234,181
Tax benefit charged to profit or loss account	-	234,181

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 approximately nil (2019: \$161,483) unabsorbed capital allowances which is available for offset against future taxable income.

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## 27. 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:

	31.12.2020	31.12.2019
	BND	BND
Ultimate parent company		
- Contributions received/ receivable	267,540	318,525
Parent company		
- Management fees payable	747,303	783,146
Other related parties		
- Contributions received/ receivable	82,980	75,472

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.

## 28. 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:

	<b>Takaful Fund and Company</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BND</b>	<b>BND</b>
Concentration of gross takaful contribution:		
Family Takaful Fund - Saving Plan and Financing/Mortgage	6,408,858	6,246,000
Family Group Takaful Fund - Annual Policy	1,866,283	1,549,349
	<u>8,275,141</u>	<u>7,795,349</u>

(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:

	<b>Gross BND</b>	<b>Ceded to Retakaful BND</b>	<b>Net BND</b>
<b>31.12.2020</b>			
Family Takaful Fund	6,408,858	(906,792)	5,502,066
Family Group Takaful Fund	1,866,283	(324,781)	1,541,502
	<b>8,275,141</b>	<b>(1,231,573)</b>	<b>7,043,568</b>
<b>31.12.2019</b>			
Family Takaful Fund	6,246,000	(862,788)	5,383,212
Family Group Takaful Fund	1,549,349	(295,558)	1,253,791
	<b>7,795,349</b>	<b>(1,158,346)</b>	<b>6,637,003</b>

*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.

	<b>Mortality and morbidity</b>	
	<b>Increase</b>	<b>Decrease</b>
	<b>+10%</b>	<b>-10%</b>
<b>2020</b>		
Gross Participant risk fund ("PRF") liabilities	198,314	(198,735)
Net PRF liabilities	95,452	(95,632)
<b>2019</b>		
Gross Participant risk fund ("PRF") liabilities	196,828	(197,168)
Net PRF liabilities	98,604	(98,763)

## **29. Financial Risk Management Objectives**

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

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

### **a) Syariah non-compliance risk**

- a. Syariah non-compliance risk is the risk that arises from failure to comply with the Syariah rules and principles prescribed by Syariah Advisory Committee and Syariah Financial Supervisory Board. Syariah 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 Syariah rules and principles are complied with at all times as advised and monitored by the Syariah Advisory Committee of the company with respect to the products and activities. This means that Syariah 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 Syariah 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	Note	12 month or lifetime ECL	Gross carrying amount BND	Loss allowance BND	Net carrying amount BND
<b><u>December 31, 2020</u></b>					
Takaful certificate receivables	7	Life time ECL (simplified approach)	1,504,387	(838,083)	666,304
Other receivables	8	12 month ECL	4,659,289	-	4,659,289
Debt securities	6	12 month ECL	41,211,725	-	41,211,725
<b><u>December 31, 2019</u></b>					
Takaful certificate receivables	7	Life time ECL (simplified approach)	1,599,277	(759,480)	839,797
Other receivables	8	12 month ECL	6,798,619	-	6,798,619
Debt securities	6	12 month ECL	41,328,810	-	41,328,810

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 7 include further details on the loss allowance of takaful certificate receivables respectively.

### ***Credit exposure***

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

	Company	
	31.12.2020 BND	31.12.2019 BND
Financial assets at FVTPL	19,433,705	17,581,707
Amortised cost		
- Cash and cash equivalents	12,092,866	17,474,944
- Short-term placements	12,000,000	2,000,000
- Retakaful certificate assets	451,573	546,683
- Takaful and other receivables	5,325,593	7,638,416
	<u>49,303,737</u>	<u>45,241,750</u>

The financial assets above are not subject to specific concentration risk.

*Credit exposure by credit quality for debt securities measured at FVTOCI*

	31.12.2020	31.12.2019
	BND	BND
<b>Company</b>		
<b>31.12.2020</b>		
Islamic debt securities		
Rated AAA	-	3,268,576
Rated AA1 to AA3	852,703	3,735,170
Rated A1 to A3	16,957,278	13,262,198
Lower than A	11,310,319	6,673,535
Others	12,091,425	14,389,331
	<u>41,211,725</u>	<u>41,328,810</u>

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	> 3 – 6 months	> 6 – 12 months	> 1 – 3 years	> 3 – 5 years	Over 5 years	No specific maturity	Total
	BND	BND	BND	BND	BND	BND	BND	BND
<b>Company</b>								
<b>As at 31 December 2020</b>								
<b>Assets</b>								
Financial assets at FVTOCI	-	-	1,149,337	2,223,048	11,122,760	26,716,580	-	41,211,725
Financial assets at FVTPL	-	-	-	-	-	-	19,433,705	19,433,705
Retakaful certificate assets	106,575	760	-	226	-	-	344,012	451,573
Takaful certificate receivables	607,597	49,260	-	9,447	-	-	-	666,304
Other receivables	3,514,269	34,270	-	-	-	-	1,110,750	4,659,289
Short-term placements	-	5,000,000	7,000,000	-	-	-	-	12,000,000
Cash and cash equivalents	-	-	-	-	-	-	12,092,866	12,092,866
	4,228,441	5,084,290	8,149,337	2,232,721	11,122,760	26,716,580	32,981,333	90,515,462
<b>Liabilities</b>								
Takaful certificate liabilities	657,410	177,200	125,260	45,460	-	-	42,840,060	43,845,390
Takaful certificate payables	-	371,106	-	-	-	-	-	371,106
Other payables	867,596	42,132	181,243	652,842	-	-	985,531	2,729,344
	1,525,006	590,438	306,503	698,302	-	-	43,825,591	46,945,840
<b>Company</b>								
<b>As at 31 December 2019</b>								
<b>Assets</b>								
Financial assets at FVTOCI	1,076,748	3,591,245	521,825	2,002,596	10,542,758	23,593,638	-	41,328,810
Financial assets at FVTPL	-	-	-	-	-	-	17,581,707	17,581,707
Retakaful certificate assets	17,149	40,350	50	5,768	-	-	483,366	546,683
Takaful certificate receivables	769,999	69,798	-	-	-	-	-	839,797
Other receivables	5,128,252	656,767	-	13,600	-	-	1,000,000	6,798,619
Short-term placements	-	-	-	2,000,000	-	-	-	2,000,000
Cash and cash equivalents	-	-	-	-	-	-	17,474,944	17,474,944
	6,992,148	4,358,160	521,875	4,021,964	10,542,758	23,593,638	36,540,017	86,570,560
<b>Liabilities</b>								
Takaful certificate liabilities	771,178	130,349	732,417	-	-	-	40,637,630	42,271,574
Takaful certificate payables	-	333,787	-	-	-	-	-	333,787
Other payables	2,580,040	1,062,198	254,199	-	-	-	-	3,896,437
	3,351,218	1,526,334	986,616	-	-	-	40,637,630	46,501,798

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	<SGD> BND	<MYR> BND	<HKD> BND	<THB> BND	<IDR> BND	<AUD> BND
<b>Company As at 31 December 2020</b>							
Equity securities	14,144,000	1,665,483	420,684	1,929,176	309,967	407,771	556,625
Fixed income securities	34,357,463	-	6,854,263	-	-	-	-
	<u>48,501,463</u>	<u>1,665,483</u>	<u>7,274,947</u>	<u>1,929,176</u>	<u>309,967</u>	<u>407,771</u>	<u>556,625</u>
<b>Company As at 31 December 2019</b>							
Equity securities	12,938,050	649,473	433,789	2,584,075	213,909	762,411	-
Fixed income securities	28,861,872	252,450	12,214,663	2,584,075	213,909	762,410	-
	<u>41,799,922</u>	<u>901,923</u>	<u>12,648,452</u>	<u>5,168,150</u>	<u>427,818</u>	<u>1,524,821</u>	<u>-</u>

### 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	Change in assumptions	Impact on profit before tax
	%	BND	%	BND
<b>31.12.2020</b>				
USD	10%	4,850,146	(10%)	(4,850,146)
SGD	10%	166,548	(10%)	(166,548)
MYR	10%	727,495	(10%)	(727,495)
HKD	10%	192,918	(10%)	(192,918)
THB	10%	30,997	(10%)	(30,997)
IDR	10%	40,777	(10%)	(40,777)
AUD	10%	55,663	(10%)	(55,663)
<b>31.12.2019</b>				
USD	10%	4,179,992	(10%)	(4,179,992)
SGD	10%	90,192	(10%)	(90,192)
MYR	10%	1,264,845	(10%)	(1,264,845)
HKD	10%	258,408	(10%)	(258,408)
THB	10%	21,391	(10%)	(21,391)
IDR	10%	76,241	(10%)	(76,241)
AUD	10%	-	(10%)	-

#### **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	Total
	BND	BND	BND	BND	BND	BND	BND	BND
31.12.2020								
Financial assets measured at fair value								
Equity instruments at FVTPL	-	19,433,705	-	19,433,705	5,289,705	-	14,144,000	19,433,705
Fixed income securities in FVTOCI	41,211,725	-	-	41,211,725	41,211,725	-	-	41,211,725
Derivative assets	-	323,326	-	323,326	-	323,326	-	323,326
	41,211,725	19,757,031	-	60,968,756				
Financial assets not measured at fair value								
Takaful certificate receivables	-	-	666,304	666,304				
Other receivables	-	-	4,659,289	4,659,289				
Short-term placements	-	-	12,000,000	12,000,000				
Cash and cash equivalents	-	-	12,092,866	12,092,866				
	-	-	29,418,459	29,418,459				
Financial liabilities not measured at fair value								
Other payables	-	-	2,729,344	2,729,344				
	-	-	2,729,344	2,729,344				

	<-----Carrying amount----->			<-----Fair value----->		
	FVOCI	FVTPL	Amortised			
	BND	BND	Cost	Total	Level 1	Level 2
			BND	BND	BND	BND
31.12.2019						
Financial assets measured at fair value						
Equity instruments at FVTPL	-	17,581,707	-	17,581,707	4,643,657	-
Fixed income securities in FVTOCI	41,328,810	-	-	41,328,810	41,328,810	-
Derivative assets	-	171,775	-	171,775	-	171,775
	41,328,810	17,753,482	-	59,082,292		
Financial assets not measured at fair value						
Takaful certificate receivables	-	-	839,797	839,797		12,938,050
Other receivables	-	-	6,789,619	6,789,619		-
Short-term placements	-	-	2,000,000	2,000,000		-
Cash and cash equivalents	-	-	17,474,944	17,474,944		-
	-	-	27,104,360	27,104,360		
Financial liabilities not measured at fair value						
Other payables	-	-	3,896,438	3,896,438		
	-	-	3,896,438	3,896,438		

*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 2020		31 December 2019					
	Assets	Liabilities	Assets	Liabilities				
Financial assets at FVTOCI (See Note 6)								
Fixed income securities	41,211,725	–	41,328,810	–	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL (See Note 6)								
Quoted equities	5,289,705	–	4,643,657	–	Level 1	Quoted prices in active markets	N/A	N/A
Private equity fund	14,144,000	–	12,938,050	–	Level 3	Net asset valuation of the private equity fund at year end	Net asset value	N/A
Derivative financial instruments (See Note 8)								
Foreign exchange forward contracts	323,326	–	171,775	–	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.

### **30. 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, 2020.

### **31. Other matters**

- (a) During the year the company has derecognized Syariah non-compliant income specifically derived from conventional banks and dividend purification from investment from the Statement of Profit or Loss and Other Comprehensive Income amounting to \$6,536 (2019: \$12,452) and has been considered for disposal to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB' s guidelines as approved by the Syariah Advisory Committee of Perbadanan TAIB.
- (b) The company had and will continue to pay close attention to the development of the outbreak of COVID-19 and its related impact on the company's business and financial conditions. Based on current available information, although the outbreak may have direct and indirect implications on the operating results, the management does not consider that the event would have a material impact to the company's continuity and operations. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the company's 2020 financial statements could be significantly different from estimates depending on how the situation evolves. The company will closely monitor the situation and development in this regard. The financial statements of the company for the financial year ended December 31, 2020 have not been adjusted for the financial effect as a result of the COVID-19 outbreak.

### **32. Authorisation of financial statements**

The financial statements of the company for the financial year ended December 31, 2020 were authorised for issue in accordance with a resolution of the directors dated March 23, 2021.