www.pwc.com/ph/brunei

# Insurans Islam TAIB General Takaful Sdn Bhd

(Incorporated in Brunei Darussalam)

**Report and Financial Statements**
**As at and for the years ended December 31, 2022 and 2021**

pwc

# INSURANS ISLAM TAIB GENERAL TAKAFUL SDN BHD

(Incorporated in Brunei Darussalam)
[Registration Number: [RC/00008254]

## REPORT AND FINANCIAL STATEMENTS
## YEARS ENDED 31 DECEMBER 2022 and 2021

**INSURANS ISLAM TAIB GENERAL TAKAFUL SDN BHD**
(Incorporated in Brunei Darussalam)
[Registration Number: [RC/00008254]

**REPORT AND FINANCIAL STATEMENTS**
**YEARS ENDED 31 DECEMBER 2022 and 2021**

CONTENTS

**INSURANS ISLAM TAIB GENERAL 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 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the company consist of general takaful business. 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 | 8,645,867 |
| Profit after tax | 1,743,373 |
| Transfer to general reserve | (610,180) |
| Retained earnings at the end of the year | 9,779,060 |

DIVIDEND

There were no dividends declared or paid during the financial year,

Subsequent to the financial year end, the directors do not recommend any dividend to be declared in respect of the financial year ended 31 December 2022.

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 Dayang Hajah Norliah binti Haji Kula - Chairman (Appointed on 28th July 2022)
Yang Mulia Datin Dayang Hajah Hasnah Binti Haji Ibrahim - Director
Yang Mulia Dr. Awang Norfarizal Bin Othman - Director
Yang Mulia Awang Shamsul Bahri bin Hj Kamis - Director
Yang Mulia Awang Edzwan Zukri bin Pehin Orang Kaya Johan Pahlawan Dato Seri Setia Awang Haji Adanan - Director
Yang Mulia Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid - Chairman (Resigned on 28th July 2022)

## 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, PricewaterhouseCoopers Services, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

Brunei Darussalam
Date: 22 March 2023

## REPORT OF THE SYARIAH ADVISORY COMMITTEE

بسم الله الرحمن الرحيم

الحمدلله رب العالمين والصلاة والسلام

على سيدنا محمد وعلى اله وصحبه أجمعين

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

السلام عليكم ورحمة الله وبركاته

In compliance with the letter of appointment and our capacity as members of Insurans Islam TAIB General Takaful Sdn. Bhd. ("IITGT") 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 IITGT during the year ended 31 December 2022. We have also conducted our review to form an opinion as to whether the IITGT has complied with Hukum Syara'.

The Management of IITGT 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 IITGT 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 IITGT.

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

We, the Syariah Advisory Committee of IITGT, are of the opinion and hereby confirm that:-

a) The contracts, transactions and dealings entered into by IITGT during the period ended 31 December 2022 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, IITGT has derecognised Syariah non-compliant income specifically derived from conventional banks from the Statement of Profit or Loss and Other Comprehensive Income amounting to nil (2021: $2,370.00).

This opinion is rendered based on what has been presented by the Management of IITGT 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 Dato Seri Setia Dr. 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 Pengiran Hajah Noraini binti Pengiran Haji Sablon

*Member/Secretary*

Brunei Darussalam

Date: 22 March 2023

**Independent Auditor's Report**

To the Board of Directors of
**Insurans Islam TAIB General Takaful Sdn Bhd**
Bangunan Suria, Unit 5, 6 & 7, Kiulap,
Bandar Seri Begawan BE1518,
Brunei Darussalam

## Report on the Audits of the Financial Statements

### *Our Opinion*

In our opinion, the accompanying financial statements of Insurans Islam TAIB General Takaful Sdn Bhd (the "Company") give a true and fair view of the financial positions of the Company as at 31 December 2022 and 2021, and of its financial performance, changes in policyholders' surplus, changes in equity and cash flows for the years then ended in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the Act), the Takaful Order 2008 (the Order) and the International Financial Reporting Standards (IFRSs).

*What we have audited*

The financial statements of the Company comprise:

- the statements of profit or loss and other comprehensive income for the years ended 31 December 2022 and 2021;
- the statements of financial position as at 31 December 2022 and 2021;
- the statements of policyholders' surplus for the years ended 31 December 2022 and 2021;
- the statements of changes in equity for the years ended 31 December 2022 and 2021;
- the statements of cash flows for the years ended 31 December 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for Opinion*

We conducted our audits 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the Code), 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.

*PricewaterhouseCoopers Services, 13th Floor, PGGMB Building, Jalan Kianggeh*
*Bandar Seri Begawan BS8111, Brunei Darussalam*
T: +673 224 1951, www.pwc.com/ph/brunei

### *Other Information*

The directors are responsible for other information. The other information comprises the information included in the Report of the Directors and the Report of the Syariah Advisory Committee, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### *Responsibilities of the Directors and Those Charged with Governance for the Financial Statements*

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

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives 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 judgment 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 management.

- Conclude on the appropriateness of management's 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 those charged with governance 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 that we required.

**PricewaterhouseCoopers Services**

Chai Xiang Yuin
Partner

Brunei Darussalam
22 March 2023

**Statements of Profit or Loss and Other Comprehensive Income**
For the years ended 31 December 2022 and 2021

| | Note | 2022 Takaful Operator BND | 2022 Takaful Fund BND | 2022 Company BND | 2021 Takaful Operator BND | 2021 Takaful Fund BND | 2021 Company BND |
|---|---|---|---|---|---|---|---|
| Gross takaful contributions | 13 (b) | - | 40,147,034 | 40,147,034 | - | 39,060,347 | 39,060,347 |
| Changes in unearned contribution reserves | | - | (2,270,577) | (2,270,577) | - | (2,566,150) | (2,566,150) |
| Gross earned contributions | 13(b) | - | 37,876,457 | 37,876,457 | - | 36,494,197 | 36,494,197 |
| Contributions ceded to retakaful | 13(b) | - | (12,976,103) | (12,976,103) | - | (15,097,439) | (15,097,439) |
| Changes in unearned retakaful contribution reserves | | - | 2,341,368 | 2,341,368 | - | 3,257,740 | 3,257,740 |
| Earned contributions ceded to retakaful | 13(b) | - | (10,634,735) | (10,634,735) | - | (11,839,699) | (11,839,699) |
| **Net earned contributions** | | - | **27,241,722** | **27,241,722** | - | **24,654,498** | **24,654,498** |
| Wakalah fee income (expense) | 22 | 10,656,068 | (10,656,068) | - | 9,951,990 | (9,951,990) | - |
| Decrease in provision for unearned wakalah fee | 14 | 73,683 | - | 73,683 | 624,642 | - | 624,642 |
| **Net earned wakalah fee** | | **10,729,751** | **(10,656,068)** | **73,683** | **10,576,632** | **(9,951,990)** | **624,642** |
| **Total net earned contributions and wakalah fee** | | **10,729,751** | **16,585,654** | **27,315,405** | **10,576,632** | **14,702,508** | **25,279,140** |
| Movement in gross claims and benefits paid | 13(a) | - | (1,268,749) | (1,268,749) | - | (1,103,926) | (1,103,926) |
| Claims and benefits ceded to retakaful | 13(a) | - | (8,881,958) | (8,881,958) | - | (8,871,823) | (8,871,823) |
| **Net benefits and claims** | 13(a) | - | **(10,150,707)** | **(10,150,707)** | - | **(9,975,749)** | **(9,975,749)** |
| **Takaful profit** | | **10,729,751** | **6,434,947** | **17,164,698** | **10,576,632** | **4,726,759** | **15,303,391** |

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

**Statements of Profit or Loss and Other Comprehensive Income (cont'd)**
For the years ended 31 December 2022 and 2021

| | Note | 2022 Takaful Operator BND | 2022 Takaful Fund BND | 2022 Company BND | 2021 Takaful Operator BND | 2021 Takaful Fund BND | 2021 Company BND |
|---|---|---|---|---|---|---|---|
| Investment (loss) income | 23 | (60,197) | 606,229 | 546,032 | 244,933 | 179,532 | 424,465 |
| Commission income | | - | 203,143 | 203,143 | - | 142,325 | 142,325 |
| Other income | 24 | 1,010,533 | 478,231 | 1,488,764 | 1,016,728 | 294,319 | 1,311,047 |
| **Total other operating revenue** | | **950,336** | **1,287,603** | **2,237,939** | **1,261,661** | **616,176** | **1,877,837** |
| Commission expense | | (4,500,018) | (4,119) | (4,504,137) | (4,469,886) | (42,083) | (4,511,969) |
| Management expenses | 25 | (7,785,007) | (365,113) | (8,150,120) | (7,275,623) | (1,177) | (7,276,800) |
| Changes in expense liabilities | 26 | 370,888 | - | 370,888 | 916,570 | - | 916,570 |
| Other gains (losses) | 27 | 4,868 | (2,289,316) | (2,284,448) | (2) | 354,514 | 354,512 |
| **Total expenses** | | **(11,909,269)** | **(2,658,548)** | **(14,567,817)** | **(10,828,941)** | **311,254** | **(10,517,687)** |
| **Operating (loss) profit before taxation** | | **(229,182)** | **5,064,002** | **4,834,820** | **1,009,352** | **5,654,189** | **6,663,541** |
| Surplus attributable to operator | | 2,253,478 | (2,253,478) | - | 4,059,904 | (4,059,904) | - |
| Surplus attributable to participants' fund | | - | (2,810,524) | (2,810,524) | - | (1,594,285) | (1,594,285) |
| **Profit before taxation** | | **2,024,296** | - | **2,024,296** | **5,069,256** | - | **5,069,256** |
| Income tax expense | 28 | (280,923) | - | (280,923) | (841,163) | - | (841,163) |
| **Profit after taxation** | | **1,743,373** | - | **1,743,373** | **4,228,093** | - | **4,228,093** |
| Other comprehensive income | | - | - | - | - | - | - |
| **Total comprehensive income for the year** | | **1,743,373** | - | **1,743,373** | **4,228,093** | - | **4,228,093** |

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

**Statements of Financial Position**
**As at 31 December 2022 and 2021**

| | Note | 2022 Takaful Operator BND | 2022 Takaful Fund BND | 2022 Company BND | 2021 Takaful Operator BND | 2021 Takaful Fund BND | 2021 Company BND |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Property and equipment, net | 4 | 598,832 | - | 598,832 | 665,552 | - | 665,552 |
| Right-of-use asset, net | 5 | 198,379 | - | 198,379 | 375,811 | - | 375,811 |
| Investments | 6 | 1,684,032 | - | 1,684,032 | 2,404,655 | - | 2,404,655 |
| Retakaful certificate assets | 13 | - | 16,481,264 | 16,481,264 | - | 24,916,716 | 24,916,716 |
| Deferred acquisition costs | 7 | 2,154,829 | 25 | 2,154,854 | 2,150,893 | 5,008 | 2,155,901 |
| Takaful certificate receivables | 8 | - | 11,165,350 | 11,165,350 | - | 4,763,604 | 4,763,604 |
| Other receivables | 9 | 21,691,388 | 2,694,017 | 9,338,900 | 19,993,615 | 1,529,337 | 4,702,412 |
| Deposits and placements | 10 | 14,000,000 | 59,000,000 | 73,000,000 | 10,000,000 | 47,500,000 | 57,500,000 |
| Cash and cash equivalents | 11 | 6,982,138 | 6,529,183 | 13,511,321 | 2,469,403 | 27,018,419 | 29,487,822 |
| **Total assets** | | **47,309,598** | **95,869,839** | **128,132,932** | **38,059,929** | **105,733,084** | **126,972,473** |
| **Liabilities** | | | | | | | |
| Deferred tax liability | 12 | 74,024 | - | 74,024 | 79,872 | - | 79,872 |
| Takaful certificate liabilities | 13 | - | 49,135,723 | 49,135,723 | - | 59,657,906 | 59,657,906 |
| Provision for unearned wakalah fee | 14 | 4,992,227 | - | 4,992,227 | 5,065,910 | - | 5,065,910 |
| Expense liabilities | 15 | 669,871 | - | 669,871 | 1,040,759 | - | 1,040,759 |
| Deferred acquisition costs | 7 | - | 24,856 | 24,856 | - | 23,896 | 23,896 |
| Takaful certificate payables | 16 | - | 9,192,580 | 9,192,580 | - | 4,764,590 | 4,764,590 |
| Other payables | 17 | 12,833,389 | 22,722,112 | 20,508,996 | 4,107,597 | 29,300,890 | 16,587,947 |
| Lease liabilities | 11, 18 | 215,225 | - | 215,225 | 398,027 | - | 398,027 |
| Current tax liabilities | | 286,916 | - | 286,916 | 873,191 | - | 873,191 |
| **Total liabilities** | | **19,071,652** | **81,075,271** | **85,100,418** | **11,565,356** | **93,747,282** | **88,492,098** |

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

**Statements of Financial Position (cont'd...)**
**As at 31 December 2022 and 2021**

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | Note | Takaful Operator | Takaful Fund | Company | Takaful Operator | Takaful Fund | Company |
| | | BND | BND | BND | BND | BND | BND |
| **Participants' fund** | 19 | - | 14,794,568 | 14,794,568 | - | 11,985,802 | 11,985,802 |
| **Equity** | | | | | | | |
| Share capital | 20 | 11,000,002 | - | 11,000,002 | 11,000,002 | - | 11,000,002 |
| General reserve | 21 | 7,458,884 | - | 7,458,884 | 6,848,704 | - | 6,848,704 |
| Retained earnings | | 9,779,060 | - | 9,779,060 | 8,645,867 | - | 8,645,867 |
| **Total shareholders' equity** | | 28,237,946 | - | 28,237,946 | 26,494,573 | - | 26,494,573 |
| **Total liabilities, participants' fund and equity** | | 47,309,598 | 95,869,839 | 128,132,932 | 38,059,929 | 105,733,084 | 126,972,473 |

DIRECTOR

DIRECTOR

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

**Statements of Policyholders' Surplus**
**For the years ended 31 December 2022 and 2021**

| | Takaful Fund and Company | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| Surplus balance at beginning of year | 11,985,802 | 10,398,926 |
| Surplus for the current financial year | 2,810,524 | 1,594,285 |
| **Total surplus at the end of the year** | **14,796,326** | **11,993,211** |
| Distribution to policyholders | (1,758) | (7,409) |
| **Balance of retained surplus at end of year** | **14,794,568** | **11,985,802** |

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

**Statements of Changes in Equity**
**For the years ended 31 December 2022 and 2021**

| | Takaful Operator and Company | | | |
|---|---|---|---|---|
| | **Share capital** | **General reserve** | **Retained earnings** | **Total** |
| | **BND** | **BND** | **BND** | **BND** |
| **As at 1 January 2021** | **11,000,002** | **5,368,871** | **5,897,607** | **22,266,480** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | - | - | 4,228,093 | 4,228,093 |
| **Transactions with owners, recognised directly in equity** | | | | |
| Transfer to general reserve | - | 1,479,833 | (1,479,833) | - |
| **As at 31 December 2021** | **11,000,002** | **6,848,704** | **8,645,867** | **26,494,573** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | - | - | 1,743,373 | 1,743,373 |
| **Transactions with owners, recognised directly in equity** | | | | |
| Transfer to general reserve | - | 610,180 | (610,180) | - |
| **As at 31 December 2022** | **11,000,002** | **7,458,884** | **9,779,060** | **28,237,946** |

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

**Statements of Cash Flows**
**For the years ended 31 December 2022 and 2021**

| | Note | Company 2022 BND | Company 2021 BND |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 2,024,296 | 5,069,256 |
| **Adjustments for:** | | | |
| Decrease in provision for unearned wakalah fee | 14 | (73,683) | (624,642) |
| Surplus transferred to participants' fund | | 2,810,524 | 1,594,285 |
| Depreciation | 4 | 267,163 | 252,757 |
| Depreciation of right-of-use asset | 5 | 177,432 | 177,226 |
| Finance costs | | 14,598 | 21,205 |
| Foreign exchange loss (gain) | 27 | 30,449 | (25,593) |
| Net fair value loss (gain) from investment | 23 | 344,005 | (202,752) |
| Changes in expense liabilities | 26 | (370,888) | (916,570) |
| Dividend income | 23 | (890,037) | (221,713) |
| Provision for (reversal of) impairment loss on takaful receivables | 8 | 2,253,999 | (357,293) |
| Net change in provision for takaful contracts | 19 | (1,758) | (7,409) |
| Operating income before changes in working capital | | 6,586,100 | 4,758,757 |
| **Changes in working capital** | | | |
| Decrease (increase) in: | | | |
| Retakaful assets | 13 | 8,435,452 | 6,144,989 |
| Deferred acquisition costs | 7 | 2,007 | 298,286 |
| Takaful receivables | 8 | (8,655,745) | (1,858,225) |
| Other receivables | | (4,666,938) | (1,218,461) |
| (Decrease) increase in: | | | |
| Takaful certificate liabilities | 13 | (10,522,183) | (7,018,607) |
| Takaful payables | 16 | 4,427,990 | 1,732,963 |
| Other payables | 17 | 3,921,049 | 7,078,637 |
| Cash (used in) generated from operations | | (472,268) | 9,918,339 |
| Finance costs paid | | (14,598) | (21,205) |
| Income tax paid | 28 | (873,045) | (146,381) |
| **Net cash (used in) generated from operating activities** | | (1,359,911) | 9,750,753 |
| | | | |
| **Cash flows from investing activities** | | | |
| Dividend received | 23 | 890,037 | 221,713 |
| Acquisition of property and equipment | 4 | (200,443) | (128,070) |
| Disposal of investments | 31 | 376,618 | - |
| Placements of deposits with banks | | (15,500,000) | (10,000,000) |
| **Net cash used in investing activities** | | (14,433,788) | (9,906,357) |
| | | (1,359,911) | |
| **Cash flows used in financing activities** | | | |
| Repayment of lease liabilities | 11 | (182,802) | (174,695) |
| | | | |
| **Net decrease in cash and cash equivalents** | | (15,976,501) | (330,299) |
| Cash and cash equivalents at 1 January | | 29,487,822 | 29,818,121 |
| **Cash and cash equivalents at 31 December** | 11 | 13,511,321 | 29,487,822 |

(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.

## 1 Domicile and activities

Insurans Islam TAIB General 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 years ended 31 December 2022 and 2021 comprise the Takaful Operator ("Operator") and the Takaful Fund ("Fund") (together referred to as the "Company").

The principal activities of the Company pertain to General Takaful businesses. There have been no significant changes in the nature of these activities during the financial year. The immediate holding company is Insurans Islam TAIB Holdings Sdn Bhd (IITHSB) and the ultimate holding company is Perbadanan Tabung Amanah Islam Brunei (TAIB). Both IITHSB and TAIB are incorporated in Brunei Darussalam.

## 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 Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Financial Accounting Standards (FAS) prescribed in the Notice No. TIU/N-4/2017/8 issued by the Brunei Darussalam Central Bank (BDCB).

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 Fund it manages and controls in accordance with the requirements of IFRS 10, *Consolidated Financial Statements*. The statements of financial position and of profit or loss and other comprehensive income of the Takaful Operator and the General 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 the Takaful Fund from its own. The statement 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 Fund managed by it. The statement of financial position and of profit or loss and other comprehensive income of the General Takaful Fund include only the assets, liabilities, income and expenses of the General 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 Critical accounting estimates, assumptions and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

### (a) Critical accounting judgments

The followings are judgments made by 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.

#### (i) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and profit (SPPP) and the business model test (Note 3.3). 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 judgment 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 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.

#### (ii) Impairment of non-financial assets

The Company's property and equipment are carried at cost less accumulated depreciation and amortisation and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at 31 December 2022 and 2021, management believes, based on its assessment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment may not be recoverable.

**(b) Critical accounting estimates**

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 and equipment**

The useful life of each of the Company's property and equipment, including software, is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property and equipment would impact the recorded depreciation expense and decrease property and equipment.

**(ii) Uncertainty in accounting estimates for general takaful certificate liabilities**

The principal uncertainty in the general takaful certificate liabilities arises from the technical provisions which include the contribution liabilities and claims liabilities. The estimation bases for contribution liabilities for general takaful certificate liabilities are explained in Note 3.9(iii).

Generally, claims liabilities are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant certificates and interpretation of circumstances. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that final claims liabilities may vary from current projection. The uncertainty is also inherent in the projected contribution liabilities as it is correlated to the projected claims liabilities.

The estimates of contribution liabilities and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of contribution and claims liabilities may vary from the initial estimates. At each reporting date, the estimates of financial year-end are reassessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BDCB.

There may be reporting lag between the occurrence of an insured event and the time it is actually recorded. For these cases, the incurred but not yet reported (IBNR) reserves are estimated. Even for liabilities which have been recorded, there are potential uncertainties as to the magnitude of the final claims compared to initial reserve provisions. For these cases, incurred but not enough reserved (IBNER) reserve provision are estimated. There are various factors affecting the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures.

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

The best estimate for unexpired expense risk (UER) for general takaful business is estimated based on a run-off basis. It is derived from the estimation for expected certificate management expenses required to maintain existing certificates and the costs of claims handling expenses to administer and settle open claim files. The UER is calculated at Provision of Risk Margin for Adverse Deviation (PRAD) level of 75% confidence level calculated at the overall Company level as required by the Guidelines on Valuation Basis for Liabilities of General Takaful Business.

**(iv) Calculation of loss allowance**

When measuring the loss allowance for expected credit losses (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.

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.

**(v) Determination of incremental borrowing rate**

The lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free profit rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g., term, currency and security).

The Company's incremental borrowing rates applied to the lease liabilities was determined in reference to the prevailing bank market rates applicable to the leased properties with similar terms and conditions.

The Company has assessed that it is impracticable to present the sensitivities arising from the impact of upward/downward changes in the discount rates used in the determination of lease liabilities without undue efforts; as such, the sensitivity analysis was no longer presented.

**(vi) Useful lives of right-of-use assets and determination of lease term**

Right-of-use asset is 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 asset is 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.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option over the planning horizon of five years. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

## 2.5 Changes in accounting policy and disclosures

### (a) Amendments to existing standards adopted by the Company

The Company has applied the following amendments to the existing standards for the first time for their annual reporting period commencing 1 January 2022.

- Amendment to IAS 16, 'Property, Plant and Equipment'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to IFRS 2018-2020

  The following improvements were finalised in May 2020:

  i. IFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. IFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the Company.

**(b) New and amended standards not yet effective and not yet adopted by the Company**

The following new standards and amendments to existing standards are not mandatory for the 31 December 2022 reporting period and have not been early adopted by the Company:

- IFRS 17, 'Insurance Contracts' (effective 1 January 2023)

  IFRS 17 was issued in May 2017 as replacement for IFRS 4, 'Insurance Contracts'. IFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period.

  Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9, 'Financial instruments'. An optional, simplified contribution allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers or general takaful. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  On 17 March 2020, the IASB has decided to defer the effective date of the standard to annual reporting periods beginning on 1 January 2023.

  The Company is currently in the process of assessing the impact of IFRS 17 to its financial statements, and the Company will restate the comparative information in the financial statements for the year ending 2023 based on the transition approaches taken on adoption of IFRS 17.

- Amendments to IAS 1, 'Presentation of Financial Statements'

  The amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant).

- Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Error'

  The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to IAS 12, 'Income Taxes'

  The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

  There are no other relevant standards, interpretations, and amendments that are effective beginning on or after 1 January 2023 that are expected to have a material impact on the Company's financial statements.

# 3 Significant accounting policies

The accounting policies set out below have been applied consistently to both 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 Takaful Fund are included in the financial statements from the date that control commences until the date the control ceases.

*Transactions eliminated on consolidation*
Intra-company balances and transactions, and any unrealised income and expenses arising from intracompany transactions, are eliminated in preparing these financial statements.

## 3.2 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 (the 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 the statement of profit or loss and other comprehensive income.

## 3.3 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, at 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.

<u>Classification of financial assets</u>

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 SPPP 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 SPPP on the principal amount outstanding.

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

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

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

*(i) Amortised cost and effective profit rate method*

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

For financial instruments other than purchased or originated credit-impaired financial assets, the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding ECL, 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 ECL, 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 rate 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 rate method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

*(ii) 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.

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 'investment income' line item (Note 23). Fair value is determined in the manner described in Note 31.

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 and financial assets at FVTPL, exchange differences are recognised in profit or loss in the 'other gains (losses)' line item (Note 27).

Impairment of financial assets

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

The Company recognises lifetime ECL for takaful certificate receivables and other receivables. The ECL 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 of 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 adjusted 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 arc more than 30 days past due, unless the Company has a 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 ECL 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-nnonth ECL at the current reporting date, except for which simplified approach is 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 minus 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 where 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 (losses) gains' 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 expired.

**Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

As at 31 December 2022 and 2021, there are no financial assets and liabilities that have been offset.

## 3.4 Property and equipment

*(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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 and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property 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 property 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 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 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 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:

| | |
|---|---|
| Office equipment | 5 years |
| Computer hardware | 5 years |
| Computer software | 3 years |
| Furniture, fixture and fittings | 5 years |
| Renovations | 10 years |

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

*(iv) Derecognition*

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss and other comprehensive income in the year the item is derecognised.

## 3.5 Impairment of non-financial assets

Property and equipment and Right-of-use asset

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

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest unit 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 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 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 profit 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 profit 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 any 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 'Management expenses' in the statement of profit or loss and other comprehensive income.

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 contract that contains 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.

## 3.7 Provisions and contingencies

*Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, 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 where appropriate the risks specific to the liability. Where discounting is used, the increase in the provisions due to passage of time is recognised as a borrowing cost.

*Contingencies*

Contingent liabilities are not recognised in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

## 3.8 Takaful product classification

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

Contracts where insignificant takaful 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 portfolios.

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 meets the definition of takaful contracts and accordingly are classified as takaful contracts.

## 3.9 General Takaful Fund

The General Takaful fund is maintained in accordance with the Company's policies approved by the Syariah Advisory Committee and includes the profits attributable to participants, which represents the participants' share of the return of investments and are distributable in accordance with the terms and conditions prescribed by the Company.

The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful commissions, unearned contributions and claims incurred. The net surplus from the general takaful fund is attributable to the Takaful Operator and the Participants' Fund based on the Company's approved policy.

Under the concept of takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the Company manages the General Takaful Fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company effective in January 2020. Under the wakalah model, the Takaful Operator is not a participant in the fund but manages the fund (including the relevant assets and liabilities) towards the purposes outlined above. Wakalah fee at 35% of the gross contribution is charged by the Takaful Operator and is recognised 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. However, Marine Cargo Product takaful business is still managed under the principles of Mudharabah model for the year ended.

*(i) Contribution income*

Contribution is recognised in the financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

*(ii) Contribution liabilities*

Contribution liabilities represent the fund's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and recognised as earned contribution.

Contribution liabilities are reported as the higher of the aggregate of the Unearned Contribution Reserves (UCR) for all lines of business and the overall Company best estimate value of the Unexpired Risk Reserves (URR) together with PRAD calculated at 75% confidence level, at the end of the reporting date.

*(a) Unearned contribution reserves*

The Unearned Contribution Reserves (UCR) 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 statement of financial position, the method used is pro-rata basis based on a time apportionment method for general takaful business.

*(b)* Unearned risk reserves

Unearned risk reserves (URR) is a prospective estimate of the expected future payments arising from future events expected to be incurred as at the end of the reporting date. This includes allowance for expenses including costs of retakaful, expected to be incurred in administering these certificates during the unexpired period and settling the relevant claims and expected refund of future contributions.

URR is estimated via an actuarial valuation performed by a qualified actuary.

*(iii) Provision for outstanding claims*

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs, and the Company is notified. The amount of outstanding claims at the end of the reporting date, is the best estimate of the claims and the claims related expenses less salvage and recoveries to settle the obligation.

Claim liabilities are valued at best estimate which include a provision for claims reported, claims IBNER and claims IBNR together with claims related expenses and reductions for salvage and other recoveries. The PRAD is calculated such that the provision is sufficient at a 75% confidence level.

The liabilities valuation is estimated by a qualified actuary at the reporting date using a mathematical method of estimation based on, amongst other. actual claim development patterns. The valuation of claim liabilities is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the certificates expire, are discharged or arc cancelled.

*(iv) Liability adequacy test*

At each reporting date, the Company reviews all general takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, all contractual cash flows are compared against the carrying value of general takaful certificate liabilities. Any deficiency is recognised in the statement of profit or loss.

The estimation of claim and contribution liabilities performed at the reporting date is part of the liability adequacy tests performed by the Company.

*(v) Deferred acquisition costs*

Commissions as recognised in the profit or loss of the general takaful fund and takaful operator refers to commission earned from retakaful operators in the course of accepting retakaful risks and contributions. Commission income are incurred and properly allocated to the relevant periods. This is in accordance with the principle of Wakalah as approved by the Syariah Advisory Committee and as agreed between the Company and the retakaful operator.

*(vi) Bases for determining and allocating surplus or deficit*

The Company calculates the underwriting surplus attributable to the policyholders on the basis of segregation between the types of takaful fund. Distribution and allocation of the surplus is only among policyholders who did not make claims during the financial year. In any case it has not been collected by the policyholders within the terms and conditions prescribed by the Company, then, it is given to charity.

In the case of covering the takaful deficit, the Company has adapted to settle the deficit from the reserve of policyholders, if any.

### 3.10 Retakaful

The funds cede 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 funds from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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

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

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

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

*Assumed retakaful risks*

The funds also assume retakaful risk in the normal course of business for General 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 Expense liability

The contract underlying takaful operations defines a unique relationship between the Takaful Operator and participants of a takaful scheme. While the General 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 General Takaful Fund 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 General Takaful Fund, 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.

*Expense liability General Takaful Fund*

Expenses liability is recognised in the Takaful Operator's fund. The expenses liability is reported at the higher of the aggregate of Unearned Wakalah Fee (UWF) and Unexpired Expense Risk (UER) together with related provision of risk margin for adverse deviation as at the end of the financial year.

The UWF reserves represent the portion of wakalah fee income allocated for management expenses of general takaful certificates that relate to the unexpired periods of certificates at the end of the financial year. The method used in computing UWF is consistent with the calculation of UCR.

## 3.12 Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, Takaful receivables are measured at amortised cost, using the effective yield method.

Takaful receivables are derecognised when the derecognition criteria for financial assets have been met.

The accounting policies applicable to Takaful receivables can be found in Note 3.3.

## 3.13 Other income

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

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

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

## 3.14 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.

### 3.15 Management expenses

Management expenses are recognised when incurred.

### 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 General Takaful Fund and correspondingly recognised in the fund's profit or loss at an agreed perentage 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 General Takaful Fund are borne by the operator and included as 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 profit 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 judgments about future events. New information may become available that causes the Company to change its judgment 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 Equity

*Share capital*

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares, if any, are shown in equity as a deduction from the proceeds.

*Retained earnings*

Retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Company, which are available for dividend declaration.

### 3.20 Subsequent events

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4 Property and equipment, net

| | Office equipment | Computer hardware and software | Furniture, fixtures and fittings | Renovations | Total |
|---|---|---|---|---|---|
| | BND | BND | BND | BND | BND |
| **Company** | | | | | |
| **Cost** | | | | | |
| **At 1 January 2021** | 52,725 | 1,015,080 | 71,241 | 262,550 | 1,401,596 |
| Additions | 3,388 | 60,482 | 8,645 | 55,555 | 128,070 |
| **At 31 December 2021** | 56,113 | 1,075,562 | 79,886 | 318,105 | 1,529,666 |
| Additions | 2,416 | 190,762 | 5,136 | 2,129 | 200,443 |
| **At 31 December 2022** | 58,529 | 1,266,324 | 85,022 | 320,234 | 1,730,109 |
| **Accumulated depreciation** | | | | | |
| **At 1 January 2021** | (37,730) | (473,398) | (38,787) | (61,442) | (611,357) |
| Depreciation for the year | (6,637) | (206,210) | (12,231) | (27,679) | (252,757) |
| **At 31 December 2021** | (44,367) | (679,608) | (51,018) | (89,121) | (864,114) |
| Depreciation for the year | (5,087) | (220,158) | (11,873) | (30,045) | (267,163) |
| **At 31 December 2022** | (49,454) | (899,766) | (62,891) | (119,166) | (1,131,277) |
| **Carrying amount** | | | | | |
| At 31 December 2021 | 11,746 | 395,954 | 28,868 | 228,984 | 665,552 |
| At 31 December 2022 | 9,075 | 366,558 | 22,131 | 201,068 | 598,832 |

## 5 Right-of-use asset, net

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

| | Office space |
|---|---|
| | **BND** |
| **Cost** | |
| **At 1 January 2021** | 800,102 |
| Additions | 69,814 |
| Expiration of a lease contract | (32,249) |
| **At 31 December 2021** | 837,667 |
| **At 31 December 2022** | 837,667 |
| | |
| **Accumulated depreciation** | |
| **At 1 January 2021** | (316,879) |
| Depreciation for the year | (177,226) |
| Expiration of a lease contract | 32,249 |
| **At 31 December 2021** | (461,856) |
| Depreciation for the year | (177,432) |
| **At 31 December 2022** | (639,288) |
| | |
| **Carrying amount** | |
| At 31 December 2021 | 375,811 |
| At 31 December 2022 | 198,379 |

## 6 Investments

This account as at 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Financial assets at FVTPL | 1,684,032 | - | 1,684,032 |
| **2021** | | | |
| Financial assets at FVTPL | 2,404,655 | - | 2,404,655 |

**Financial assets at FVTPL**

The components of financial assets at FVTPL are further analysed as follows:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **As at 31 December 2022** | | | |
| Unquoted equity securities | 1,684,032 | - | 1,684,032 |
| **Financial assets at FVTPL** | 1,684,032 | - | 1,684,032 |

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **As at 31 December 2021** | | | |
| Unquoted equity securities | 2,404,655 | - | 2,404,655 |
| **Financial assets at FVTPL** | 2,404,655 | - | 2,404,655 |

## 7 Deferred acquisition costs

This account as at 31 December consists of:

| | Takaful Operator | Takaful Fund | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Gross and Net | Gross | Ceded to Retakaful | Net | Gross | Ceded to Retakaful | Net |
| | BND | BND | BND | BND | BND | BND | BND |
| **2022** | | | | | | | |
| **As at 1 January** | 2,150,893 | 5,008 | (23,896) | (18,888) | 2,155,901 | (23,896) | 2,132,005 |
| Movement during the year | 3,936 | (4,983) | (960) | (5,943) | (1,047) | (960) | (2,007) |
| **As at 31 December** | 2,154,829 | 25 | (24,856) | (24,831) | 2,154,854 | (24,856) | 2,129,998 |
| **2021** | | | | | | | |
| **As at 1 January** | 2,421,225 | 36,924 | (27,858) | 9,066 | 2,458,149 | (27,858) | 2,430,291 |
| Movement during the year | (270,332) | (31,916) | 3,962 | (27,954) | (302,248) | 3,962 | (298,286) |
| **As at 31 December** | 2,150,893 | 5,008 | (23,896) | (18,888) | 2,155,901 | (23,896) | 2,132,005 |

## 8 Takaful certificate receivables

This account as at 31 December consists of:

| | Takaful Fund 2022 BND | Takaful Fund 2021 BND |
|---|---|---|
| Due from agents/brokers and co-takaful balances | 13,714,658 | 5,874,908 |
| Due from retakaful operators | 1,842,233 | 1,026,238 |
| **Gross takaful certificate receivables** | 15,556,891 | 6,901,146 |
| Less: Loss allowance under IFRS 9 | (4,391,541) | (2,137,542) |
| **Takaful certificate receivables** | 11,165,350 | 4,763,604 |

Loss allowance for takaful certificate receivables has been measured at an amount equal to lifetime 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 debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction at the reporting date.

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

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

| | Takaful certificate receivables | | | | |
|---|---|---|---|---|---|
| | **Less than 30 days (Not Past Due)** | **30 to 90 days** | **90 to 180 days** | **More than 180 days** | **Total** |
| **As at 31 December 2022** | | | | | |
| Expected credit loss rate | 9.20% | 23.01% | 69.55% | 100% | |
| Total gross carrying amount subject to ECL | 9,686,970 | 2,509,774 | 1,437,314 | 1,922,833 | 15,556,891 |
| **Lifetime ECL*** | 891,591 | 577,500 | 999,617 | 1,922,833 | 4,391,541 |

| | Takaful certificate receivables | | | | |
|---|---|---|---|---|---|
| | Less than 30 days (Not Past Due) | 30 to 90 days | 90 to 180 days | More than 180 days | Total |
| **As at 31 December 2021** | | | | | |
| Expected credit loss rate | 9.27% | 23.19% | 70.08% | 100.00% | |
| Total gross carrying amount subject to ECL | 4,721,742 | 517,409 | 274,539 | 1,387,456 | 6,901,146 |
| **Lifetime ECL*** | 437,734 | 119,963 | 192,389 | 1,387,456 | 2,137,542 |

**ECL rates are expressed in rounded-off figures*

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.

| | Takaful Fund & Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| **As at 1 January** | 2,137,542 | 2,494,835 |
| Provision for (reversal of) impairment during the year | 2,253,999 | (357,293) |
| Written-off during the year | - | - |
| **As at 31 December** | 4,391,541 | 2,137,542 |

The Company's exposure to credit and currency risks, and impairment losses related to Takaful and other receivables are disclosed in Note 31.

## 9 Other receivables

This account as at 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Amount owing from Parent Company | 5,653,594 | 6,767 | 5,660,361 |
| Amount due from Ultimate Parent Company | - | 171,864 | 171,864 |
| Amount owing from the Takaful Operator of Family Takaful Fund | 277,755 | 1,826 | 279,581 |
| Amount owing from Family Takaful Fund | - | - | - |
| Amount owing from General Takaful Fund | 14,066,025 | - | - |
| Amount owing from the Takaful Operator of General Takaful Fund | - | 980,480 | - |
| Other receivables | 1,694,014 | 1,533,080 | 3,227,094 |
| | 21,691,388 | 2,694,017 | 9,338,900 |

| | Takaful Operator BND | Takaful Fund BND | Company BND |
|---|---|---|---|
| **2021** | | | |
| Amount owing from Parent Company | 2,078,701 | 21,507 | 2,100,208 |
| Amount due from Ultimate Parent Company | | 229,643 | 229,643 |
| Amount owing from the Takaful Operator of Family Takaful Fund | 134,047 | 6,866 | 140,913 |
| Amount owing from Family Takaful Fund | 4 | 18,158 | 18,162 |
| Amount owing from General Takaful Fund | 16,692,228 | - | - |
| Amount owing from the Takaful Operator of General Takaful Fund | - | 128,312 | - |
| Other receivables | 1,088,635 | 1,124,851 | 2,213,486 |
| | 19,993,615 | 1,529,337 | 4,702,412 |

Other receivables pertain mainly to the statutory deposit placed by the Company with BDCB under Section 16, TO 2008 and Insurance Order (IO) 2006 and Deposit under Chapter 90 Motor Vehicle Insurance (Third Party Risks).

The amounts due from related parties are unsecured, profit free and collectible on demand. There is no allowance for doubtful debts arising from these balances.

## 10 Deposits and placements

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

Fixed deposits of the Company bear weighted average effective profit rate of 0.03% (2021 - 0.05%) per annum and have a maturity period within 12 months from the reporting date.

## 11 Cash and cash equivalents

This account as at 31 December consists of:

| | Takaful Operator BND | Takaful Fund BND | Company BND |
|---|---|---|---|
| **2022** | | | |
| Cash and bank balances | 6,982,138 | 6,529,183 | 13,511,321 |
| **2021** | | | |
| Cash and bank balances | 2,469,403 | 27,018,419 | 29,487,822 |

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

**Reconciliation of liabilities arising from financing activities**

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes.

| **2022** | **At 1 January 2022** | **Financing cash flows(i)** | **Others (ii)** | **At 31 December 2022** |
|---|---|---|---|---|
| | BND | BND | BND | BND |
| Lease liabilities (Note 18) | 398,027 | (182,802) | - | 215,225 |

| **2021** | **At 1 January 2021** | **Financing cash flows(i)** | **Others (ii)** | **At 31 December 2021** |
|---|---|---|---|---|
| | BND | BND | BND | BND |
| Lease liabilities (Note 18) | 502,908 | (174,695) | 69,814 | 398,027 |

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

(ii) Other changes include new lease liabilities recognised during the year.

## 12 Deferred tax liability

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

| | **Takaful Operator and Company** | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| As at 1 January | 79,872 | 111,754 |
| Reversal of temporary differences (Note 28) | (5,848) | (31,882) |
| As at 31 December | 74,024 | 79,872 |

## 13 Takaful certificate liabilities

This account as at 31 December consists of:

| | | Takaful Fund and Company | | |
|---|---|---|---|---|
| | | **Gross** | **Ceded to Retakaful** | **Net** |
| | **Note** | **BND** | **BND** | **BND** |
| **2022** | | | | |
| Provision for claims incurred and admitted | | 17,929,673 | (6,651,498) | 11,278,175 |
| Provision for incurred but not reported claims (IBNR) | | 14,024,558 | (3,417,731) | 10,606,827 |
| Provision for outstanding claims | (a) | 31,954,231 | (10,069,229) | 21,885,002 |
| Provision for unearned contributions | (b) | 17,181,492 | (6,412,035) | 10,769,457 |
| | | 49,135,723 | (16,481,264) | 32,654,459 |

| | | Takaful Fund and Company | | |
|---|---|---|---|---|
| | | **Gross** | **Ceded to Retakaful** | **Net** |
| | **Note** | **BND** | **BND** | **BND** |
| **2021** | | | | |
| Provision for claims incurred and admitted | | 22,072,286 | (10,423,387) | 11,648,899 |
| Provision for incurred but not reported claims (IBNR) | | 22,674,705 | (10,422,662) | 12,252,043 |
| Provision for outstanding claims | (a) | 44,746,991 | (20,846,049) | 23,900,942 |
| Provision for unearned contributions | (b) | 14,910,915 | (4,070,667) | 10,840,248 |
| | | 59,657,906 | (24,916,716) | 34,741,190 |

(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 Retakaful** | **Net** |
| **2022** | **BND** | **BND** | **BND** |
| **As at 1 January** | 44,746,991 | (20,846,049) | 23,900,942 |
| Claims incurred during the year | 1,268,749 | 8,881,958 | 10,150,707 |
| Movements in claims incurred | (14,061,509) | 1,894,862 | (12,166,647) |
| **As at 31 December** | 31,954,231 | (10,069,229) | 21,885,002 |

| | Takaful Fund and Company | | |
|---|---|---|---|
| | Gross | Ceded to Retakaful | Net |
| **2021** | **BND** | **BND** | **BND** |
| **As at 1 January** | 54,331,748 | (30,248,778) | 24,082,970 |
| Claims incurred during the year | 1,103,926 | 8,871,823 | 9,975,749 |
| Movements in claims incurred | (10,688,683) | 530,906 | (10,157,777) |
| **As at 31 December** | 44,746,991 | (20,846,049) | 23,900,942 |

**(b) Provision for unearned contributions**

Movement in provision for unearned contributions follows:

| | Takaful Fund and Company | | |
|---|---|---|---|
| | Gross | Ceded to Retakaful | Net |
| **2022** | **BND** | **BND** | **BND** |
| As at 1 January | 14,910,915 | (4,070,667) | 10,840,248 |
| Contributions written during the year | 40,147,034 | (12,976,103) | 27,170,931 |
| Contributions earned during the year | (37,876,457) | 10,634,735 | (27,241,722) |
| As at 31 December | 17,181,492 | (6,412,035) | 10,769,457 |

| | Takaful Fund and Company | | |
|---|---|---|---|
| | Gross | Ceded to Retakaful | Net |
| **2021** | **BND** | **BND** | **BND** |
| As at 1 January | 12,344,765 | (812,927) | 11,531,838 |
| Contributions written during the year | 39,060,347 | (15,097,439) | 23,962,908 |
| Contributions earned during the year | (36,494,197) | 11,839,699 | (24,654,498) |
| As at 31 December | 14,910,915 | (4,070,667) | 10,840,248 |

## 14 Provision for unearned wakalah fee

This account as at 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| At 1 January | 5,065,910 | 5,690,552 |
| Decrease in provision for unearned wakalah fee during the year | (73,683) | (624,642) |
| At 31 December | 4,992,227 | 5,065,910 |

## 15 Expense liabilities

This account as at 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| Provision for unexpired expense reserve | 669,871 | 1,040,759 |
| | 669,871 | 1,040,759 |

The method used to value the expense liabilities is discussed in Note 3.11 of these financial statements.

The movement in expense liabilities is as follows:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| As at 1 January | 1,040,759 | 1,957,329 |
| Movement in provision for unexpired expense reserve | (370,888) | (687,092) |
| Movement in provision for unearned wakalah fee reserve | - | (229,478) |
| As at 31 December | 669,871 | 1,040,759 |

## 16 Takaful certificate payables

This account as at 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| Due to retakaful companies | 9,192,580 | 4,764,590 |

Takaful certificate payables are classified as current.

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

## 17 Other payables

This account as at 31 December consists of:

| | **Takaful Operator** | **Takaful Fund** | **Company** |
|---|---|---|---|
| | **BND** | **BND** | **BND** |
| **2022** | | | |
| Profit payable to participants | - | 2,949,078 | 2,949,078 |
| Advanced contributions from participants | - | 1,641,109 | 1,641,109 |
| Amount owing to Parent Company | 4,767,398 | - | 4,767,398 |
| Amount owing to Family Takaful Fund | 815 | - | 815 |
| Amount owing to the Takaful Operator of General Takaful Fund | - | 14,066,025 | - |
| Amount owing to General Takaful Fund | 980,480 | - | - |
| Other payables | 7,084,696 | 4,065,900 | 11,150,596 |
| | 12,833,389 | 22,722,112 | 20,508,996 |

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2021** | | | |
| Profit payable to participants | - | 2,969,896 | 2,969,896 |
| Advanced contributions from participants | - | 2,557,656 | 2,557,656 |
| Amount owing to Parent Company | 1,465,625 | - | 1,465,625 |
| Provision for unutilised leave | 51,906 | - | 51,906 |
| Amount owing to Family Takaful Fund | - | 126,430 | 126,430 |
| Amount owing to the Takaful Operator of General Takaful Fund | - | 16,692,228 | - |
| Amount owing to General Takaful Fund | 128,312 | - | - |
| Other payables | 2,461,754 | 6,954,680 | 9,416,434 |
| | 4,107,597 | 29,300,890 | 16,587,947 |

Other payables pertain to payable to agents, salaries-related payable, advanced contributions from participants and other accrued expenses.

The amount due to related parties are unsecured, profit free and payable on demand.

## 18 Lease liabilities

This account as at 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| Maturity Analysis: | | |
| Year 1 | 169,050 | 196,950 |
| Year 2 | 53,000 | 169,050 |
| Year 3 | - | 53,000 |
| Year 4 | - | - |
| | 222,050 | 419,000 |
| Less: Future profit expense | (6,825) | (20,973) |
| | 215,225 | 398,027 |

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

## 19 Participants' fund

This account as at 31 December consists of:

| | Takaful Fund and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| General Takaful fund | 14,794,568 | 11,985,802 |

The participants' fund movements follow:

| | Takaful Fund and Company | |
|---|---|---|
| | 2022 | 2021 |
| **Accumulated surplus** | BND | BND |
| **As at 1 January** | 11,985,802 | 10,398,926 |
| Underwriting surplus for the year | 5,064,002 | 5,654,189 |
| Surplus attributable to operator | (2,253,478) | (4,059,904) |
| Distribution to policyholders | (1,758) | (7,409) |
| **As at 31 December** | 14,794,568 | 11,985,802 |

## 20 Share capital

This account as at 31 December consists of:

| | 2022 | 2021 |
|---|---|---|
| | Number of shares | Number of shares |
| **Company** | | |
| Authorised ordinary shares, B$1 par value | 20,000,000 | 20,000,000 |

| | 2022 | 2021 |
|---|---|---|
| **Issued and paid up** | BND | BND |
| At the beginning of the year | 11,000,002 | 11,000,002 |
| Issuance of shares | - | - |
| | 11,000,002 | 11,000,002 |

All shares issued rank pari passu in all regards.

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. All shares rank equally with regard to the Company's residual assets.

*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 the total risk requirements of the insurer.

In accordance 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) surplus of assets over liabilities of not less than 20 percent.

In 2022 and 2021, the Company is 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.

## 21 General reserves

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

## 22 Wakalah fee income (expense)

This account for the years ended 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Wakalah fee income (expense) | 10,656,068 | (10,656,068) | - |
| | 10,656,068 | (10,656,068) | - |
| **2021** | | | |
| Wakalah fee income (expense) | 9,951,990 | (9,951,990) | - |
| | 9,951,990 | (9,951,990) | - |

## 23 Investment (loss) income

This account for the years ended 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Dividend income | 283,808 | 606,229 | 890,037 |
| Net fair value loss | (344,005) | - | (344,005) |
| | (60,197) | 606,229 | 546,032 |
| **2021** | | | |
| Dividend income | 42,181 | 179,532 | 221,713 |
| Net fair value gain | 202,752 | - | 202,752 |
| | 244,933 | 179,532 | 424,465 |

## 24 Other income

This account for the years ended 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Road assistance service | 932,468 | - | 932,468 |
| Service charges | 45,665 | - | 45,665 |
| Other income | 32,400 | 478,231 | 510,631 |
| | 1,010,533 | 478,231 | 1,488,764 |
| **2021** | | | |
| Road assistance service | 869,800 | - | 869,800 |
| Service charges | 35,715 | - | 35,715 |
| Other income | 111,213 | 294,319 | 405,532 |
| | 1,016,728 | 294,319 | 1,311,047 |

## 25 Management expenses

This account for the years ended 31 December consists of:

| | Takaful Operator | | Takaful Fund | | Company | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** |
| Management fee to Parent Company | 3,234,359 | 3,053,516 | - | - | 3,234,359 | 3,053,516 |
| Salaries, bonuses and other employee benefits | 3,007,084 | 2,837,829 | - | - | 3,007,084 | 2,837,829 |
| Depreciation | 444,595 | 429,983 | - | - | 444,595 | 429,983 |
| Legal, professional and audit fees | 63,640 | 102,290 | - | - | 63,640 | 102,290 |
| Utilities | 108,617 | 105,355 | - | - | 108,617 | 105,355 |
| Marketing and promotional costs | 223,058 | 167,777 | - | - | 223,058 | 167,777 |
| Other management expenses | 703,654 | 578,873 | 365,113 | 1,177 | 1,068,767 | 580,050 |
| | 7,785,007 | 7,275,623 | 365,113 | 1,177 | 8,150,120 | 7,276,800 |

## 26 Changes in expense liabilities

This account for the years ended 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| Decrease in unexpired expense reserve | 370,888 | 687,092 |
| Decrease in unearned wakalah fee reserve | - | 229,478 |
| | 370,888 | 916,570 |

The method used to value its expense liabilities is discussed in Note 3.11 of these financial statements.

## 27 Other gains (losses)

This account for the years ended 31 December consists of:

| | Takaful Operator | Takaful Fund | Company |
|---|---|---|---|
| | BND | BND | BND |
| **2022** | | | |
| Provision for impairment of takaful receivables | - | (2,253,999) | (2,253,999) |
| Foreign exchange gains (losses) | 4,868 | (35,317) | (30,449) |
| | 4,868 | (2,289,316) | (2,284,448) |
| **2021** | | | |
| Reversal of impairment of takaful receivables | - | 328,919 | 328,919 |
| Foreign exchange (losses) gains | (2) | 25,595 | 25,593 |
| | (2) | 354,514 | 354,512 |

## 28 Income tax expense

This account for the years ended 31 December consists of:

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| Taxation in respect of current year's profit | 286,771 | 873,045 |
| Deferred tax benefit (Note 12) | (5,848) | (31,882) |
| | 280,923 | 841,163 |

*Relationship between tax expense and accounting profit*

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

| | Takaful Operator and Company | |
|---|---|---|
| | 2022 | 2021 |
| | BND | BND |
| Profit before taxation | 2,024,296 | 5,069,256 |
| Tax calculated at the rate of 18.5% on the first $100,000 at one-quarter of the full rate, the next $150,000 at one-half of the full rate and the remaining profit at the full rate | 346,745 | 910,062 |
| Adjustments: | | |
| Further deduction | (40,030) | (40,468) |
| Non-deductible expenses | 10,876 | 5,670 |
| Tax threshold deduction and others | (30,820) | (2,219) |
| Provision for taxation in respect of current year's profit | 286,771 | 873,045 |
| Deferred tax benefit (Note 12) | (5,848) | (31,882) |
| Income tax expense | 280,923 | 841,163 |

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

## 29 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 the disclosures below, there were no transactions with Key Management Personnel during the year. The remuneration of the Key Management Personnel is borne by the Parent Company.

***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 for the years ended 31 December are as follows:

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| Ultimate Parent Company | | |
| - Contributions received / receivable | 19,022 | 120,882 |
| - Rental and other fees paid / payable | - | 480 |
| Parent Company | | |
| - Management fee paid / payable | 3,234,359 | 3,053,516 |
| Other related parties | | |
| - Contributions received / receivable | 114,255 | 11,295 |
| - Rental and other fees paid / payable | 8,312 | 906 |
| - Travelling expenses paid / payable | 25,804 | - |

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, a statutory body established in Brunei.

The amount owing to/from the holding company and related parties are unsecured, profit free and payable on demand.

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.

## 30 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 most significant are the increasing level of awards for the damage suffered as a result of road accidents, and the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

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:

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| Concentration of gross takaful contribution: | | |
| General Takaful business | 30,680,391 | 28,684,497 |
| General Special Risk Takaful business | 9,466,643 | 10,375,850 |
| | 40,147,034 | 39,060,347 |

***The key coverage for the General Takaful contracts***

The key coverage for the General Takaful contracts are motor, energy, fire, liability, personal accidents, engineering, marine and aviation.

***Concentration of General Takaful risk***

The table below sets out the concentration of general takaful gross and net by type of business as at 31 December:

| | Gross | Ceded to Retakaful | Net |
|---|---|---|---|
| | **BND** | **BND** | **BND** |
| **2022** | | | |
| Motor | 27,712,476 | (2,791,888) | 24,920,588 |
| Aviation | 6,031,367 | (6,027,632) | 3,735 |
| Commercial All Risk | 3,320,735 | (3,178,626) | 142,109 |
| Fire | 645,625 | (18,079) | 627,546 |
| Engineering, Personal liability and other special risk | 2,436,831 | (959,878) | 1,476,953 |
| | 40,147,034 | (12,976,103) | 27,170,931 |

| | Gross | Ceded to Retakaful | Net |
|---|---|---|---|
| | **BND** | **BND** | **BND** |
| **2021** | | | |
| Motor | 26,761,306 | (2,946,342) | 23,814,964 |
| Commercial All Risk | 6,013,851 | (5,832,028) | 181,823 |
| Aviation | 4,274,020 | (4,028,211) | 245,809 |
| Fire | 549,411 | (156,028) | 393,383 |
| Engineering, Personal liability and other special risk | 1,461,759 | (2,134,830) | (673,071) |
| | 39,060,347 | (15,097,439) | 23,962,908 |

*Key assumptions*

The key assumptions underlying the estimation of liabilities is that the Company's and the Fund's future claims development will follow a similar pattern to past claims development experience, including average claim cost, average claim frequency, business mix for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, underwriting policy, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

***Sensitivities***

The claim liabilities are sensitive to the above key assumptions and change in these assumptions may impact the liabilities and operating surplus of the fund significantly. The correlation of assumptions will have significant effect in determining the ultimate claims liabilities.

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

***Loss ratio for latest accident year***

This is significant as a change in loss ratio estimate will impact the liabilities significantly, in particularly Motor and Fire as they are two of the largest under general business.

***Average claim cost***

Reserves are based on assumption that historical average claim cost is reflective of the future experience. Increase in average cost will increase future liabilities.

***Average claims frequency***

Reserves are based on assumption that historical average claim number in each accident year reflects the future experience. A change in average number of claims will impact the future liabilities.

***Average claim settlement period***

Reserves are based on assumption that claim settlement period will be stable over years. A change in claim handling practice will affect the claim cost and future liabilities.

***Sensitivity Analysis***

The sensitivity analysis has been performed for the main classes of business which are motor, fire, miscellaneous excluding special risks, and special risks.

**Sensitivity in Total Outstanding Claims Liability including PRAD**

| Class of Business | Change in assumption of ultimate ratio | Impact on Gross Outstanding Claims Liability | Impact on Net Claims Liability |
|---|---|---|---|
| As at 31 December 2022 | | | |
| Motor | +10% | 1,425,870 | 1,425,870 |
| Fire | +10% | 68,827 | 19,979 |
| Miscellaneous excluding Special risks | +10% | 29,482 | 20,330 |
| Special risks | +10% | 45,873 | 36,957 |
| | | 1,570,052 | 1,503,136 |
| As at 31 December 2021 | | | |
| Motor | +10% | 1,400,961 | 1,396,799 |
| Fire | +10% | 8,236 | 8,236 |
| Miscellaneous excluding Special risks | +10% | 14,708 | 14,708 |
| Special risks | +10% | 88,204 | 6,607 |
| | | 1,512,109 | 1,426,350 |

*Claims development*

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercise the degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The resulting Loss Development triangle established was for three diagonal years. Claims development factors extracted from the triangulation were used in part to establish Ultimate Claims and the Ultimate Loss Ratio. The projected Ultimate Loss ratio (ULR) is determined as the higher of the Current Incurred Loss Ratio, the Incurred Loss Ratio (weighted by Incurred Claims in the year), and the Ultimate Loss Ratio derived as a product of the Loss Development Factors estimated from the partial claims triangulation.

Projected Ultimate Claims is thus computed as the product of the projected ULR with Earned Contributions. The IBNR provision is taken as the Projected Ultimate Claims less the Case Reserve. The Claim Liability is then taken as the Case Reserve plus the IBNR.

## Claims development table

## Gross General Takaful Certificate Liabilities for 2022

| Accident Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BND | BND | BND | BND | BND | BND | BND | BND | BND | BND | BND | BND | BND |
| At the end of the accident year | | | | | | | | | | | | | |
| One year later | 14,409,438 | 18,605,691 | 18,966,463 | 15,952,272 | 15,883,858 | 17,566,484 | 22,576,820 | 18,255,973 | 18,555,766 | 15,219,187 | 14,440,137 | 14,801,000 | |
| Two years later | 16,249,355 | 18,412,322 | 16,490,763 | 14,503,647 | 16,019,586 | 15,974,134 | 23,329,881 | 19,070,792 | 25,634,587 | 17,053,790 | 12,815,445 | | |
| Three years later | 15,260,318 | 18,029,441 | 16,219,668 | 14,547,528 | 16,792,266 | 16,469,580 | 26,562,367 | 20,944,215 | 18,511,383 | 14,038,919 | | | |
| Four years later | 15,250,938 | 21,314,965 | 18,111,333 | 15,382,129 | 16,888,034 | 18,052,450 | 30,281,294 | 19,054,946 | 13,673,035 | | | | |
| Five years later | 15,912,001 | 19,630,084 | 18,078,400 | 15,617,138 | 22,925,427 | 19,021,823 | 28,114,762 | 18,680,881 | | | | | |
| Six years later | 16,878,557 | 19,808,475 | 18,311,692 | 17,540,412 | 26,119,544 | 18,268,561 | 27,621,622 | | | | | | |
| Seven years later | 16,390,185 | 20,023,984 | 18,967,907 | 17,975,188 | 25,423,674 | 17,564,846 | | | | | | | |
| Eight years later | 17,157,181 | 20,571,724 | 19,068,020 | 16,424,626 | 23,913,954 | | | | | | | | |
| Nine years later | 18,242,790 | 20,571,650 | 18,193,420 | 15,641,604 | | | | | | | | | |
| Ten years later | 17,893,615 | 20,523,233 | 18,146,292 | | | | | | | | | | |
| Eleven years later | 17,248,730 | 20,447,902 | | | | | | | | | | | |
| Twelve years later | 17,240,289 | | | | | | | | | | | | |
| Cumulative incurred claims 2011 to 2022 | 17,240,289 | 20,447,902 | 18,146,292 | 15,641,604 | 23,913,954 | 17,564,846 | 27,621,622 | 18,680,881 | 13,673,035 | 14,038,919 | 12,815,445 | 14,801,000 | **214,585,789** |
| Prior to 2011 | | | | | | | | | | | | | 1,111,813 |
| Total Cumulative incurred claims | | | | | | | | | | | | | **215,697,603** |
| Cumulative paid claims 2011 to 2022 | 17,174,091 | 18,752,740 | 16,467,194 | 15,439,433 | 21,313,066 | 15,359,008 | 24,457,802 | 15,497,295 | 11,994,260 | 11,672,367 | 9,551,478 | 7,306,217 | 184,984,952 |
| Prior to 2011 | | | | | | | | | | | | | 725,342 |
| Total Cumulative paid claims | | | | | | | | | | | | | **185,710,294** |
| Cumulative outstanding claims 2011 to 2022 | 66,198 | 1,695,162 | 1,679,098 | 202,171 | 2,600,888 | 2,205,838 | 3,163,820 | 3,183,586 | 1,678,776 | 2,366,552 | 3,263,967 | 7,494,783 | 29,600,838 |
| Prior to 2011 | | | | | | | | | | | | | 386,471 |
| Total Net Claims Liability at 75% confidence level | | | | | | | | | | | | | **29,987,309** |
| Claims payable | | | | | | | | | | | | | 1,966,922 |
| Total | | | | | | | | | | | | | **31,954,231** |

## Claims development table

### Net General Takaful Certificate Liabilities for 2022:

| Accident Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | **BND** | | **BND** |
| At the end of the accident year | | | | | | | | | | | | | |
| One year later | 14,409,438 | 18,591,195 | 7,894,723 | 15,733,710 | 15,855,112 | 17,155,876 | 17,734,449 | 17,161,880 | 14,146,734 | 14,379,121 | 13,590,973 | 14,535,295 | |
| Two years later | 16,231,584 | 18,743,021 | 16,397,849 | 13,935,122 | 15,977,658 | 15,665,028 | 17,979,434 | 16,667,832 | 14,677,996 | 14,392,328 | 12,814,733 | | |
| Three years later | 15,420,228 | 18,017,677 | 16,158,047 | 13,823,569 | 15,785,043 | 15,805,099 | 19,660,914 | 18,039,264 | 14,253,760 | 13,081,485 | | | |
| Four years later | 15,250,938 | 18,015,135 | 16,428,224 | 14,789,199 | 15,236,112 | 15,557,717 | 20,662,097 | 17,350,524 | 13,355,936 | | | | |
| Five years later | 15,686,078 | 18,593,724 | 16,006,571 | 14,845,356 | 15,117,877 | 15,750,077 | 19,782,134 | 16,978,369 | | | | | |
| Six years later | 16,043,986 | 18,684,402 | 16,295,940 | 15,845,973 | 15,404,486 | 15,501,807 | 19,552,726 | | | | | | |
| Seven years later | 15,576,138 | 18,853,482 | 16,528,690 | 15,736,069 | 14,985,313 | 15,263,248 | | | | | | | |
| Eight years later | 15,718,627 | 19,318,292 | 16,183,368 | 15,080,588 | 14,789,856 | | | | | | | | |
| Nine years later | 16,142,026 | 19,249,679 | 15,944,802 | 14,838,252 | | | | | | | | | |
| Ten years later | 15,988,210 | 19,229,416 | 15,842,587 | | | | | | | | | | |
| Eleven years later | 15,944,359 | 19,186,752 | | | | | | | | | | | |
| Twelve years later | 15,935,918 | | | | | | | | | | | | |
| Cumulative incurred claims 2011 to 2022 | 15,935,918 | 19,186,72 | 15,842,587 | 14,838,252 | 14,789,856 | 15,263,248 | 19,552,726 | 16,978,369 | 13,355,936 | 13,081,485 | 12,814,733 | 14,535,295 | **186,175,157** |
| Prior to 2011 | | | | | | | | | | | | | 963,029 |
| Total Cumulative incurred claims | | | | | | | | | | | | | **187,138,187** |
| Cumulative paid claims 2011 to 2022 | 15,869,720 | 18,189,156 | 15,492,099 | 14,760,762 | 14,112,553 | 14,630,196 | 18,549,250 | 15,318,921 | 11,918,888 | 10,903,211 | 9,550,766 | 7,237,697 | 166,533,219 |
| Prior to 2011 | | | | | | | | | | | | | 686,888 |
| Total Cumulative paid claims | | | | | | | | | | | | | **167,220,107** |
| Cumulative outstanding claims 2011 to 2022 | 66,198 | 997,596 | 350,488 | 77,490 | 677,303 | 633,052 | 1,003,477 | 1,659,449 | 1,437,048 | 2,178,274 | 3,263,967 | 7,297,598 | 19,641,940 |
| Prior to 2011 | | | | | | | | | | | | | 276,140 |
| Total Net Claims Liability at 75% confidence level | | | | | | | | | | | | | **19,918,080** |
| Claims payable | | | | | | | | | | | | | 1,966,922 |
| Total | | | | | | | | | | | | | **21,885,002** |

## 31 Financial risk management

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

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

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

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

| Category | Description | Basis for recognising 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 | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|
| **31 December 2022** | | | BND | BND | BND |
| Takaful certificate receivables | 8 | Lifetime ECL (simplified approach) | 15,556,892 | (4,391,541) | 11,165,351 |
| Other receivables | 9 | 12-month ECL | 9,338,900 | - | 9,338,900 |
| **31 December 2021** | | | | | |
| Takaful certificate receivables | 8 | Lifetime ECL (simplified approach) | 6,901,146 | (2,137,542) | 4,763,604 |
| Other receivables | 9 | 12-month ECL | 4,702,412 | - | 4,702,412 |

The Company has applied the simplified approach to measure the loss allowance at lifetime ECL for takaful certificate receivables. The Company determined the ECL 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 8 include further details on the loss allowance of takaful certificate receivables.

***Credit exposure.***

The table below shows the maximum exposure to credit risk for the components recognised in the statement of financial position, which is net of related allowance for credit losses.

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| Amortised cost | | |
| - Cash and cash equivalents | 13,511,321 | 29,487,822 |
| - Short-term placements | 73,000,000 | 57,500,000 |
| - Retakaful certificate assets* | 10,069,229 | 20,846,050 |
| - Takaful and other receivables | 20,504,250 | 9,466,016 |
| | 117,084,800 | 117,299,888 |

**Excludes unearned retakaful contribution*

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

**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 ratio in the statement of financial position against internal and regulatory requirements.

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

***Maturity profile***

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

| | 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 |
| **Company** | | | | | | | | |
| **As at 31 December 2022** | | | | | | | | |
| **Assets** | | | | | | | | |
| Financial assets at FVTPL | - | - | - | - | - | - | 1,684,032 | 1,684,032 |
| Retakaful certificate assets | 13,014 | 486,840 | 2,550,785 | 3,361,252 | 144 | - | 10,069,229 | 16,481,264 |
| Takaful certificate receivables | 10,727,653 | 437,697 | - | - | - | - | - | 11,165,350 |
| Other receivables | 6,788,591 | - | - | - | - | - | 2,550,309 | 9,338,900 |
| Deposits and placements | 10,000,000 | 14,000,000 | 49,000,000 | - | - | - | - | 73,000,000 |
| Cash and cash equivalents | - | - | - | - | - | - | 13,511,321 | 13,511,321 |
| | 27,529,258 | 14,924,537 | 51,550,785 | 3,361,252 | 144 | - | 27,814,891 | 125,180,867 |
| **Liabilities** | | | | | | | | |
| Takaful certificate liabilities | 597,652 | 2,213,746 | 9,628,781 | 4,723,478 | 17,685 | 150 | 31,954,231 | 49,135,723 |
| Takaful certificate payables | 375,377 | - | 575,172 | 8,242,031 | - | - | - | 9,192,580 |
| Other payables | 362,800 | 93,228 | 7,343,537 | 7,773,440 | - | - | 4,935,991 | 20,508,996 |
| Lease liabilities | 47,105 | 47,637 | 68,437 | 52,046 | - | - | - | 215,225 |
| | 1,382,934 | 2,354,611 | 17,615,927 | 20,790,995 | 17,685 | 150 | 36,890,222 | 79,052,524 |

| | 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 |
| **Company** | | | | | | | | |
| **As at 31 December 2021** | | | | | | | | |
| **Assets** | | | | | | | | |
| Financial assets at FVTPL | - | - | - | - | - | - | 2,404,655 | 2,404,655 |
| Retakaful certificate assets | 2,001,989 | 3,355,702 | 814,421 | 7,796 | - | - | 18,736,808 | 24,916,716 |
| Takaful certificate receivables | 4,681,454 | 82,150 | - | - | - | - | - | 4,763,604 |
| Other receivables | 422,342 | - | - | - | - | - | 4,280,070 | 4,702,412 |
| Deposits and placements | 10,000,000 | 47,500,000 | - | - | - | - | - | 57,500,000 |
| Cash and cash equivalents | 15,000,000 | - | - | - | - | - | 14,487,822 | 29,487,822 |
| | 32,105,785 | 50,937,852 | 814,421 | 7,796 | - | - | 39,909,355 | 123,775,209 |
| **Liabilities** | | | | | | | | |
| Takaful certificate liabilities | 5,786,572 | 7,632,155 | 1,391,403 | 100,786 | - | - | 44,746,990 | 59,657,906 |
| Takaful certificate payables | 403,662 | - | - | 4,360,928 | - | - | - | 4,764,590 |
| Other payables | 7,799,993 | 165,276 | 3,923,963 | 920 | - | - | 4,697,795 | 16,587,947 |
| Lease liabilities | 46,773 | 46,773 | 93,546 | 210,935 | - | - | - | 398,027 |
| | 14,037,000 | 7,844,204 | 5,408,912 | 4,673,569 | - | - | 49,444,785 | 81,408,470 |

**d) Market risk**

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

**i) Yield rate risk**

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

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

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

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

**ii) Foreign currency risk**

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

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

The Company does not use derivative financial instruments to protect itself against the volatility associated with foreign currency transactions, and other financial assets and liabilities created in the ordinary course of business.

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> Amounts in BND |
|---|---|
| **Company** | |
| **As at 31 December 2022** | |
| **Assets** | |
| Cash and cash equivalents | 1,056,653 |
| Takaful certificate receivables | 7,274,420 |
| Investments | 1,684,032 |
| | 10,015,105 |
| **Company** | |
| **As at 31 December 2021** | |
| **Assets** | |
| Cash and cash equivalents | 947,728 |
| Takaful certificate receivables | 783,917 |
| Investments | 2,404,655 |
| | 4,136,300 |

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** |
| **As at 31 December 2022** | | | | |
| USD | 10% | 1,001,511 | (10%) | (1,001,511) |
| **As at 31 December 2021** | | | | |
| USD | 10% | 413,630 | (10%) | (416,630) |

A 10% strengthening of BND against the foreign currencies at year-end would have decreased the profit or loss by the amounts shown above. The analysis assumes that all other variables, in particular profit rates, remain constant.

### iii) 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.

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

**iv) Operational risk**

Operational risk is the risk of loss from inadequacy 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 the 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.

***Estimation of fair values***

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

*Investments*

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

*Other financial assets and liabilities*

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

***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 | | | |
|---|---|---|---|---|---|---|---|
| | FVTPL | Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Company** | BND | BND | BND | BND | BND | BND | BND |
| **As at 31 December 2022** | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Equity instruments at FVTPL | 1,684,032 | - | 1,684,032 | - | - | 1,684,032 | 1,684,032 |
| | 1,684,032 | - | 1,684,032 | - | - | 1,684,032 | 1,684,032 |
| **Financial assets not measured at fair value** | | | | | | | |
| Takaful certificate receivables | - | 11,165,350 | 11,165,350 | | | | |
| Other receivables | - | 9,338,900 | 9,338,900 | | | | |
| Deposits and placements | - | 73,000,000 | 73,000,000 | | | | |
| Cash and cash equivalents | - | 13,511,321 | 13,511,321 | | | | |
| | - | 107,015,571 | 107,015,571 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Takaful certificate liabilities | - | 49,135,723 | 49,135,723 | | | | |
| Takaful certificate payables | - | 9,192,580 | 9,192,580 | | | | |
| Other payables | - | 20,508,996 | 20,508,996 | | | | |
| Lease liabilities | - | 215,225 | 215,225 | | | | |
| | - | 79,052,524 | 79,052,524 | | | | |

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | FVTPL | Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Company** | BND | BND | BND | BND | BND | BND | BND |
| **As at 31 December 2021** | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Equity instruments at FVTPL | 2,404,655 | - | 2,404,655 | - | - | 2,404,655 | 2,404,655 |
| | 2,404,655 | - | 2,404,655 | - | - | 2,404,655 | 2,404,655 |
| **Financial assets not measured at fair value** | | | | | | | |
| Takaful certificate receivables | - | 4,763,604 | 4,763,604 | | | | |
| Other receivables | - | 4,702,412 | 4,702,412 | | | | |
| Deposits and placements | - | 57,500,000 | 57,500,000 | | | | |
| Cash and cash equivalents | - | 29,487,822 | 29,487,822 | | | | |
| | - | 96,453,838 | 96,453,838 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Takaful certificate liabilities | - | 59,657,906 | 59,657,906 | | | | |
| Takaful certificate payables | - | 4,764,590 | 4,764,590 | | | | |
| Other payables | - | 16,587,947 | 16,587,947 | | | | |
| Lease liabilities | - | 398,027 | 398,027 | | | | |
| | - | 81,408,470 | 81,408,470 | | | | |

*Fair value of the Company's financial assets and financial liabilities 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 2022 | | 31 December 2021 | | | | | |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| **Financial assets at FVTPL** | | | | | | | | |
| Private equity fund | 1,684,032 | - | 2,404,655 | - | Level 3 | Net asset valuation of the private equity fund at year end | Net asset value | The lower the net asset value, the lower the fair value. |

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Private equity funds held by the Company are measured using net asset valuation of the investee and are classified under Level 3 of the fair value hierarchy since 2017.

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

The table below presents the reconciliation of financial assets under Level 3:

| | **Takaful operator** | |
|---|---|---|
| | **2022** | **2021** |
| | **BND** | **BND** |
| At January 1 | 2,404,655 | 2,201,903 |
| Disposals during the year | (376,618) | - |
| Foreign exchange loss | (10,106) | (15,738) |
| Fair value (loss) gain | (333,899) | 218,490 |
| At 31 December | 1,684,032 | 2,404,655 |

## 32 Dividends

There were no dividends declared or paid during the financial year.

Subsequent to the financial year, the directors do not recommend any dividend to be declared in respect of the financial year ended 31 December 2022.

## 33 Other matters

a) In 2022, the Company did not derecognise any Syariah non-compliant income specifically derived from conventional banks from the statement of profit or loss and other comprehensive income (2021 - $2,370) that 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 (2021 - $2,370).

b) The immediate impact of the COVID-19 pandemic on the global economy has largely abated in most markets given the successful roll-out of vaccine programs, and as societies have adapted. The recovery in the country resulting from the relaxation of COVID-19 restrictions on movement, international travel and tourism in 2022 raises the prospect of global and domestic growth. However, there are still short-term risks, as any surge in COVID-19 infections may dampen confidence and activity, and lead to the emergence of new vaccine-resistant variants of the virus. It could also lead to renewed inflationary pressures as demand for commodities and other goods rises. The Company continues to monitor the situation closely and, given the remaining uncertainties related to the post-pandemic landscape, additional mitigating actions may be required. The return to pre-pandemic levels of social interaction in the country in which the Company operates continues to vary as government may respond differently to new waves of infection. The financial statements of the Company for the financial year ended 31 December 2022 have not been adjusted for the financial effect of the COVID-19 pandemic.

## 34 Authorisation of financial statements

The financial statements of the Company as at and for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors dated 22 March 2023.