Insurans Islam TAIB General Takaful Sdn Bhd
(Incorporated in Brunei Darussalam)

Registration Number: [RC/00008254]

Year Ended 31 December 2018

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

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

CONTENTS

CONTENTS	PAGE(S)
Report of the directors	1 - 3
Report of the Shariah Advisory Committee	4 - 5
Report of the auditor	6 - 8
Statement of profit or loss and other comprehensive income	9 - 10
Statement of financial position	11 - 12
Statement of policyholders' surplus	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to financial statements	16 - 75

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 December 31, 2018.

PRINCIPAL ACTIVITY

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

RESULTS

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Retained earnings at the beginning of the year	4,007,222
Effects of IFRS 9 adoption	(445,340)
Profit for the year	1,993,081
Transfer to general reserve	(697,578)
Retained earnings at the end of the year	4,857,385

DIVIDEND

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 paid in respect of the financial year ended December 31, 2018.

RESERVES

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

SHARE CAPITAL

For the financial year ended December 31, 2018, the paid up share capital was increased from $8,000,002 to $11,000,002 by payment of 3,000,000 issued ordinary shares at $1.00 each.

DIRECTORS

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

Yang Mulia Dato Seri Paduka Ahmaddin bin Haji Abdul Rahman - Chairman

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

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

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman

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

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES AND/OR DEBENTURES

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

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

AUDITORS

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

ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

Brunei Darussalam
Date: 29 APR 2019

REPORT OF THE SHARIAH ADVISORY COMMITTEE

بسم الله الرحمن الرحيم

الحمدلله رب العالمين والصلاة والسلام على سيدنا محمد وعلى اله
وصحبه أجمعين

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

السلام عليكم ورحمة الله وبركاته

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by IITGT during the financial period ended December 31, 2018. 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 Shariah Department which also include Shariah review and examination, on a test basis, each type of transactions, the relevant documentation and procedures adopted and/or entered by 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 Shariah 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 December 31, 2018 that we have reviewed are in compliance with the *Hukum Syara'*;

b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with *Hukum Syara'*;

c) During the year the company has derecognized Shariah non-compliant income specifically derived from conventional banks from the Statement of Profit or Loss and Other Comprehensive Income amounting to $9,647 (2017: $5,192) and has designated to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee of Perbadanan TAIB.

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 ولى التوفيق والهداية

Yang Mulia Awang Haji Dennie bin Haji Abdullah
Chairman

Yang Mulia Awang Haji Mohd Serudin bin Haji Timbang
Member

Yang Mulia Dr. Awang Azme bin Haji Matali
Member

Yang Arif Awang Haji Hassan bin Haji Metali
Member

Yang Mulia Haji Osman bin Haji Md Jair
Secretary and Member

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

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

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

Brunei Darussalam
Date: 29 APR 2019

Deloitte.

ديلويت دان توچ
Deloitte & Touche
Certified Public Accountants
5th Floor, Wisma Hajjah Fatimah
22 & 23 Jalan Sultan
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

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

Opinion

We have audited the financial statements of Insurans Islam TAIB General Takaful Sdn Bhd (the "company") which comprise the statement of financial position of the company as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of policyholders' surplus and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies, as set out on pages 9 to 75.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act Cap. 39 (the "Act"), the Takaful Order 2008 (the "Order") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the company as at December 31, 2018 and of the financial performance, changes in equity, changes in policyholders' surplus and cash flows of the company for the year ended on that date.

Basis for Opinion

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

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: April 29, 2019

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

	Note	31.12.2018 Takaful Operator BND	31.12.2018 Takaful Fund BND	31.12.2018 Company BND	31.12.2017 Takaful Operator BND	31.12.2017 Takaful Fund BND	31.12.2017 Company BND
Gross takaful contributions	12(b)	–	50,315,355	50,315,355	–	62,458,803	62,458,803
Changes in unearned contribution reserves		–	3,970,136	3,970,136	–	1,502,728	1,502,728
Gross earned contributions	12(b)	–	54,285,491	54,285,491	–	63,961,531	63,961,531
Contributions ceded to retakaful	12(b)	–	(16,272,461)	(16,272,461)	–	(22,452,163)	(22,452,163)
Changes in unearned retakaful contribution reserves		–	766,100	766,100	–	501,122	501,122
Earned contributions ceded to retakaful	12(b)	–	(15,506,361)	(15,506,361)	–	(21,951,041)	(21,951,041)
Net earned contributions	12(b)	–	38,779,130	38,779,130	–	42,010,490	42,010,490
Investment income	19	(40,189)	613,116	572,927	–	496,759	496,759
Commission income		–	150,540	150,540	–	153,655	153,655
Other income	20	932,224	389,343	1,321,567	907,485	485,634	1,393,119
Total other operating revenue		892,035	1,152,999	2,045,034	907,485	1,136,048	2,043,533
Movement in gross claim and benefits paid	12(a)	–	(21,289,778)	(21,289,778)	–	(23,967,418)	(23,967,418)
Claim and benefits ceded to retakaful	12(a)	–	3,617,736	3,617,736	–	7,036,943	7,036,943
Net claims and benefits	12(a)	–	(17,672,042)	(17,672,042)	–	(16,930,475)	(16,930,475)

The accompanying notes form an integral part of these financial statements

Statement of profit or loss and other comprehensive income (cont'd)
Year ended 31 December 2018

	Note	31.12.2018 Takaful Operator	31.12.2018 Takaful Fund	31.12.2018 Company	31.12.2017 Takaful Operator	31.12.2017 Takaful Fund	31.12.2017 Company
		BND	BND	BND	BND	BND	BND
Wakalah expense		–	(5,912,961)	(5,912,961)	–	(8,340,460)	(8,340,460)
Management expenses	21	(6,525,358)	(44,247)	(6,569,605)	(6,068,301)	(32,699)	(6,101,000)
Change in expense liabilities	22	(290,757)	–	(290,757)	(664,721)	–	(664,721)
Other gains and losses	23	30,000	(362,302)	(332,302)	(17,473)	(456,587)	(474,060)
Total expenses		(6,786,115)	(6,319,510)	(13,105,625)	(6,750,495)	(8,829,746)	(15,580,241)
Operating surplus (loss) before taxation		(5,894,080)	15,940,577	10,046,497	(5,843,010)	17,386,317	11,543,307
Surplus attributable to operator		7,970,289	(7,970,289)	–	8,503,059	(8,503,059)	–
Surplus attributable to takaful fund		–	(7,970,288)	(7,970,288)	–	(8,883,258)	(8,883,258)
Profit before taxation		2,076,209	–	2,076,209	2,660,049	–	2,660,049
Tax expense	24	(83,128)	–	(83,128)	(629,798)	–	(629,798)
Profit after taxation		1,993,081	–	1,993,081	2,030,251	–	2,030,251
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of AFS financial assets		–	–	–	145,910	–	145,910
Net foreign exchange difference on revaluation of AFS financial assets		–	–	–	(55,667)	–	(55,667)
Total comprehensive income for the year		1,993,081	–	1,993,081	2,120,494	–	2,120,494

The accompanying notes form an integral part of these financial statements

Statement of financial position
As at 31 December 2018

	Note	31.12.2018			31.12.2017		
		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
Assets							
Plant and equipment	4	739,489	–	739,489	714,593	–	714,593
Investments	5	2,220,153	–	2,220,153	2,230,343	–	2,230,343
Retakaful certificate assets	12	–	19,405,232	19,405,232	–	16,423,187	16,423,187
Deferred acquisition costs	6	–	2,360,256	2,360,256	–	3,099,218	3,099,218
Takaful certificate receivables	7	–	2,477,488	2,477,488	–	3,614,676	3,614,676
Other receivables	8	4,830,323	1,348,206	2,649,349	462,811	8,303,146	1,954,245
Deposits and placements	9	15,000,000	45,500,000	60,500,000	16,000,000	41,500,000	57,500,000
Cash and cash equivalents	10	3,038,551	15,638,525	18,677,076	8,323,808	11,308,708	19,632,516
Total assets		25,828,516	86,729,707	109,029,043	27,731,555	84,248,935	105,168,778
Liabilities							
Deferred tax liability	11	127,014	–	127,014	102,652	–	102,652
Takaful certificate liabilities	12	–	63,372,364	63,372,364	–	64,270,403	64,270,403
Expense liabilities	13	3,604,747	–	3,604,747	3,313,990	–	3,313,990
Deferred acquisition costs	6	–	35,265	35,265	–	33,790	33,790
Takaful certificate payables	14	–	2,432,320	2,432,320	–	6,723,835	6,723,835
Other payables	15	998,756	11,240,646	8,710,222	7,444,787	7,101,256	7,734,331
Current tax liabilities		431,862	–	431,862	373,096	–	373,096
Total liabilities		5,162,379	77,080,595	78,713,794	11,234,525	78,129,284	82,552,097

The accompanying notes form an integral part of these financial statements

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

	Note	31.12.2018 Takaful Operator	31.12.2018 Takaful Fund	31.12.2018 Company	31.12.2017 Takaful Operator	31.12.2017 Takaful Fund	31.12.2017 Company
		BND	BND	BND	BND	BND	BND
Participants' fund	16	–	9,649,112	9,649,112	–	6,119,651	6,119,651
Equity							
Share capital	17	11,000,002	–	11,000,002	8,000,002	–	8,000,002
General reserve	18	4,808,750	–	4,808,750	4,399,563	–	4,399,563
Fair value reserve		–	–	–	90,243	–	90,243
Retained earnings		4,857,385	–	4,857,385	4,007,222	–	4,007,222
Total shareholders' equity		20,666,137	–	20,666,137	16,497,030	–	16,497,030
Total equity, participants' fund and liabilities		25,828,516	86,729,707	109,029,043	27,731,555	84,248,935	105,168,778

DIRECTOR

DIRECTOR

The accompanying notes form an integral part of these financial statements

Statement of policyholders' surplus
As at 31 December 2018

	Note	Takaful Fund	
		31.12.2018	**31.12.2017**
		BND	**BND**
Surplus balance at beginning of year		6,119,651	2,666,302
Effect of adopting IFRS 9	2.4(c)	(823,974)	–
Surplus balance at beginning of year - adjusted		5,295,677	2,666,302
Surplus for the current financial year		7,970,288	8,883,258
Total surplus at the end of year		13,265,965	11,549,560
Distribution to policyholders		(3,616,853)	(5,429,909)
Balance of retained surplus at end of year		9,649,112	6,119,651

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
Year ended 31 December 2018

	Note	Share capital	Fair value reserve	General reserve	Retained earnings	Total
		BND	BND	BND	BND	BND
At 1 January 2017		8,000,002	–	3,688,976	2,687,558	14,376,536
Total comprehensive income for the year:						
Profit for the year		–	–	–	2,030,251	2,030,251
Other comprehensive income		–	90,243	–	–	90,243
Transactions with owners, recognized directly in equity:						
Transfer to general reserve		–	–	710,587	(710,587)	–
At 31 December 2017 and 1 January 2018		8,000,002	90,243	4,399,563	4,007,222	16,497,030
- Effect of adopting IFRS 9	2.4(c)	–	(90,243)	(288,391)	(445,340)	(823,974)
- As restated		8,000,002	–	4,111,172	3,561,882	15,673,056
Total comprehensive income for the year:						
Profit for the year		–	–	–	1,993,081	1,993,081
Transactions with owners, recognized directly in equity:						
Issuance of share capital	17	3,000,000	–	–	–	3,000,000
Transfer to general reserve		–	–	697,578	(697,578)	–
At 31 December 2018		11,000,002	–	4,808,750	4,857,385	20,666,137

The accompanying notes form an integral part of these financial statements

Statement of cash flows
Year ended 31 December 2018

	Note	31.12.2018	31.12.20167
		BND	BND
Cash flows from operating activities			
Profit before income tax		2,076,209	2,660,049
Adjustments for:			
Surplus transferred to participants' fund		7,970,288	8,883,258
Impairment loss on takaful receivables		356,835	661,489
Change in expense liabilities		290,757	664,721
Depreciation		100,376	62,532
Net fair value loss (gain) from investment		10,190	(48,099)
Reversal of impairment loss on takaful receivables		(107,104)	(89,193)
Dividend income		(613,116)	(448,660)
Net change in provision for takaful contracts		(3,616,853)	(5,429,909)
		6,467,582	6,916,188
Changes in working capital:			
Retakaful assets		(2,982,045)	(7,232,558)
Takaful receivables		(760,491)	(3,407,931)
Deferred acquisition costs		740,437	1,627,253
Other receivables		(695,104)	(1,576,219)
Takaful certificate liabilities		(898,039)	6,677,531
Takaful payables		(4,291,515)	3,260,041
Other payables		975,891	773,434
Cash (used in) generated from operations		(1,443,284)	7,037,739
Income tax paid		–	(1,151,845)
Net cash (used in) generated from operating activities		(1,443,284)	5,885,894
Cash flows from investing activities			
Dividend received		613,116	448,660
Acquisition of property, plant and equipment		(125,272)	(525,221)
Acquisition of deposits and placements		(3,000,000)	(8,733,965)
Proceeds from disposal of investments		–	1,013,705
Acquisition of investments		–	(2,140,100)
Net cash used in investing activities		(2,512,156)	(9,936,921)
Cash flows from financing activity			
Issuance of shares		3,000,000	–
Net decrease in cash and cash equivalents		(955,440)	(4,051,027)
Cash and cash equivalents at 1 January		19,632,516	23,683,543
Cash and cash equivalents at 31 December	10	18,677,076	19,632,516

The accompanying notes form an integral part of these financial statements

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on April 29, 2019

1 Domicile and activity

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 Head Office, Bangunan Suria, Unit 5, 6 & 7, Kiulap, Bandar Seri Begawan BE1518, Brunei Darussalam.

The financial statements of the Company as at and for the year ended December 31, 2018 comprise the Takaful Operator ("Operator") and the Takaful Fund ("Fund") (together referred to as the "Company").

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

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as required by the Takaful Order 2008 ("TO") including certain Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") financial accounting standards ("FAS") prescribed in the notice no. TIU/N-4/2017/8 issued by Autoriti Monetari Brunei Darussalam (AMBD).

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

AAOIFI FAS 12	General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies;
AAOIFI FAS 13	Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies;
AAOIFI FAS 15	Provisions and Reserves in Islamic Insurance Companies (disclosures);
AAOIFI FAS 19	Contributions in Islamic Insurance Companies.

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful fund it manages and controls in accordance with the requirements of IFRS 10 *Consolidated Financial Statem*ents. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator and 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 Takaful fund from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful fund managed by it. The statements of financial position and 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 Adoption of new and revised standards

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

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

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

<u>IFRS 15 Revenue from Contracts with Customers</u>

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

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

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

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

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

IFRS 9 Financial Instruments

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018 restropectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at FVTPL. As such, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

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

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

- Deposits and placements, Takaful certificate receivables and other receivables that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- Fixed income securities that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset.

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

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

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

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

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

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

Company	Note	IAS 39 carrying amount December 31, 2017	Adoption of IFRS 9	(Note)	IFRS 9 carrying amount January 1, 2018
		BND	**BND**		**BND**
Assets					
Investments at FVTPL	5(a)	–	2,230,343	(a)	2,230,343
AFS Investments	5(b)	2,230,343	(2,230,343)	(a)	–
Takaful certificate receivables	7	3,614,676	(1,647,948)	(b)	1,966,728
		5,845,019	(1,647,948)		4,197,071
Participants' fund	16	6,119,651	(823,974)	(b)	5,295,677
General reserve	18	4,399,563	(288,391)	(b)	4,111,172
Fair value reserve		90,243	(90,243)	(a)	–
Retained earnings		4,007,222	(445,340)	(a) (b)	3,561,882
		14,616,679	(1,647,948)		12,968,731

(a) The application of IFRS 9 has resulted in the reclassification of the Company's investments and corresponding investment revaluation reserve based on the results of the SPPI and Business Model assessments carried out by management.

(b) The application of the IFRS 9 impairment requirements has resulted in additional loss allowance to be recognized.

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

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

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

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

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

Effective for annual periods beginning on or after January 1, 2022

IFRS 17	Insurance Contracts

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

IFRS 16 Leases

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

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

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

IFRS 17 Insurance Contracts

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

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

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

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated 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 fund are included in the financial statements from the date that control commences until the date the control ceases.

Transactions eliminated on consolidation

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

3.2 Foreign currencies

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

3.3 Financial instruments

Financial assets (before January 1, 2018)

Classification of financial assets

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

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

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

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets (AFS)

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

AFS financial assets comprise equity securities.

Non-derivative financial liabilities

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

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

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

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

Share capital

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

Financial assets (from January 1, 2018)

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

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

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

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

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

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

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

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

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

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

(i) Amortised cost and effective profit rate method

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.
Profit is recognised using the effective profit method for financial 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 'other gains and losses' line item (note 23). Fair value is determined in the manner described in note 27.

Foreign exchange gains and losses

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

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 23); and
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 23).

Impairment of financial assets

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

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

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

Significant increase in credit risk

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

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

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

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

Definition of default

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

Credit-impaired financial assets

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Trade and other payables

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

3.4 Plant and equipment

(i) *Recognition and measurement*

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

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

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

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

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

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

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

3.5 Impairment of non-financial assets

Property, plant and equipment

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

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

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

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

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

3.7 Provisions

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

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3.8 Takaful product classification

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

Contracts where insignificant takaful risks are accepted by the fund 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 meet 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 Shariah Advisory Committee and includes the profits attributable to participants, which represents the participants' share of the return of investments and underwriting surplus 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.

(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 a Provision of Risk Margin for Adverse Deviation ("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. 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 incurred but not enough reserved ("IBNER") and claims incurred but not yet reported ("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 are 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 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 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 Shariah 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 different 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 fund cedes takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

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

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the 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 profit or loss.

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

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

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

Assumed Retakaful risks

The fund also assumes retakaful risk in the normal course of business for and 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 Expenses 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 are responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations towards participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful fund 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 fund would be available to meet all contractual obligations and commitments as they fall due, with a reasonable level of certainty.

Expenses liability of General Takaful 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 de-recognition 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 Zakat

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

3.16 Tax expense

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

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

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

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

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

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

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

3.17 Significant accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

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

(i) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (note 3.3). 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 judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

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

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

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

Generally, claim 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 claim liabilities may vary from current projection. The uncertainty is also inherent in the projected contribution liabilities as it is correlated to the projected claim liabilities.

The estimates of contribution liabilities and claim 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 claim 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 AMBD.

There may be reporting lag between the occurrence of an insured event and the time it is actually recorded. For these cases, the 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, 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 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 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.

4 Plant and equipment

	Office equipment	Computer hardware and software	Furniture, fixtures and fittings	Renovation	Capital work-in-progress	Total
	BND	BND	BND	BND	BND	BND
Company						
Cost						
At 1 January 2017	26,849	12,874	7,740	39,865	197,222	284,550
Additions	8,535	21,644	39,179	88,758	367,105	525,221
Reclassification	–	564,327	–	–	(564,327)	–
At 31 December 2017	35,384	598,845	46,919	128,623	–	809,771
Additions	9,840	115,432	–	–	–	125,272
At 31 December 2018	45,224	714,277	46,919	128,623	–	935,043
Accumulated depreciation						
At 1 January 2017	(8,199)	(2,167)	(5,948)	(4,357)	(11,975)	(32,646)
Additions	(6,472)	(4,234)	(4,938)	(9,193)	(37,695)	(62,532)
Reclassification	–	(49,670)	–	–	49,670	–
At 31 December 2017	(14,671)	(56,071)	(10,886)	(13,550)	–	(95,178)
Additions	(8,129)	(70,438)	(9,384)	(12,425)	–	(100,376)
At 31 December 2018	(22,800)	(126,509)	(20,270)	(25,975)	–	(195,554)
Carrying amounts						
At 31 December 2017	20,713	542,774	36,033	115,073	–	714,593
At 31 December 2018	22,424	587,768	26,649	102,648	–	739,489

5 Investments

		Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018				
Financial assets at FVTPL	(a)	2,220,153	–	2,220,153
31.12.2017				
AFS financial assets	(b)	2,230,343	–	2,230,343

(a) Financial assets at FVTPL

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

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Unquoted equity securities	2,220,153	–	2,220,153
Financial assets at FVTPL	2,220,153	–	2,220,153

(b) AFS financial assets

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

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2017			
Unquoted equity securities	2,230,343	3,038,750	5,269,093
Less – impairment	–	(3,038,750)	(3,038,750)
AFS financial assets	2,230,343	–	2,230,343

6 Deferred acquisition costs

	Takaful Fund and Company		
	Gross	Ceded to Retakaful	Net
	BND	BND	BND
31.12.2018			
As at beginning of the year	3,099,218	(33,790)	3,065,428
Movement during the year	(738,962)	(1,475)	(740,437)
	2,360,256	(35,265)	2,324,991
31.12.2017			
As at beginning of the year	4,692,681	–	4,692,681
Movement during the year	(1,593,463)	(33,790)	(1,627,253)
	3,099,218	(33,790)	3,065,428

7 Takaful certificate receivables

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Due from agents/brokers and co-takaful balances	7,138,141	7,565,453
Due from retakaful operators	2,246,406	1,058,603
	9,384,547	8,624,056
Less: loss allowance under IFRS 9	(6,907,059)	–
Less: impairment under IAS 39	–	(5,009,380)
	2,477,488	3,614,676

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

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

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

	Takaful certificate receivables				
	Less than 30 days (Not Past Due)	30 to 90 days	90 to 180 days	More than 180 days	Total
December 31, 2018					
Expected Credit loss rate	8.75%	21.89%	69.90%	100%	
Estimated total gross carrying amount at default	1,527,542	1,346,116	106,828	6,404,061	9,384,547
Lifetime ECL	133,660	294,665	74,673	6,404,061	6,907,059

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

	BND
Balance at beginning of the year	5,009,380
Adjustment upon application of IFRS 9	1,647,948
Balance at beginning of the year (adjusted)	6,657,328
Movement in loss allowance during the year	356,835
Net recoveries from retakaful operators	(107,104)
Balance as at December 31, 2018	6,907,059

The Company's exposure to credit and currency risks, and impairment losses related to Takaful and other receivables are disclosed in note 27.

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8 Other receivables

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Amount due from ultimate parent	–	36,264	36,264
Amount owing from parent company	408,333	1,642	409,975
Amount owing from Takaful Operator of General Takaful Fund	–	199,073	–
Amount owing from General Takaful Fund	3,330,107	–	–
Amount owing from Takaful Operator of Family Takaful Fund	9,503	1,023	10,526
Amount owing from Family Takaful Fund	33,087	–	33,087
Other receivables	1,049,293	1,110,204	2,159,497
	4,830,323	1,348,206	2,649,349
31.12.2017			
Amount due from ultimate parent	–	533,644	533,644
Amount owing from parent company	252,590	35,181	287,771
Amount owing from Takaful Operator of General Takaful Fund	–	6,811,712	–
Amount owing from Takaful Operator of Family Takaful Fund	156,917	9,727	166,644
Amount owing from Family Takaful Fund	–	860,371	860,371
Other receivables	53,304	52,511	105,815
	462,811	8,303,146	1,954,245

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

9 Deposits and placements

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

Fixed deposit of the Company bear weighted average effective profit rate of 1.25% (2017: 1.14%) per annum and have a maturity period within 24 months (2017: 24 months) from balance sheet date.

10 Cash and cash equivalents

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2018			
Cash and bank balances	3,038,551	15,638,525	18,677,076
31.12.2017			
Cash and bank balances	8,323,808	11,308,708	19,632,516

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

11 Deferred tax liability

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

	Takaful Operator and Company	
	31.12.2018	31.12.2017
	BND	BND
At the beginning of the year	102,652	40,604
Origination of temporary differences (Note 24)	24,362	62,048
At the end of the year	127,014	102,652

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12 Takaful certificate liabilities

The takaful certificate liabilities comprise the following:

		Takaful Fund and Company		
		Gross	Ceded to Retakaful	Net
	Note	BND	BND	BND
31.12.2018				
Provision for claims incurred and admitted		28,237,029	(10,518,044)	17,718,985
Provision for incurred but not reported claims ("IBNR")		13,019,728	(3,669,656)	9,350,072
Provision for outstanding claims	(a)	41,256,757	(14,187,700)	27,069,057
Provision for unearned contributions	(b)	22,115,607	(5,217,532)	16,898,075
		63,372,364	(19,405,232)	43,967,132

		Takaful Fund and Company		
		Gross	Ceded to Retakaful	Net
	Note	BND	BND	BND
31.12.2017				
Provision for claims incurred and admitted		26,944,335	(9,820,185)	17,124,150
Provision for incurred but not reported claims ("IBNR")		11,240,325	(2,151,570)	9,088,755
Provision for outstanding claims	(a)	38,184,660	(11,971,755)	26,212,905
Provision for unearned contributions	(b)	26,085,743	(4,451,432)	21,634,311
		64,270,403	(16,423,187)	47,847,216

(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
	BND	BND	BND
As at 31.12.2017	38,184,660	(11,971,755)	26,212,905
Claims incurred during the year	21,289,778	(3,617,736)	17,672,042
Movements in claims incurred	(18,217,681)	1,401,791	(16,815,890)
As at 31.12.2018	41,256,757	(14,187,700)	27,069,057

	Takaful Fund and Company		
	Gross	**Ceded to Retakaful**	**Net**
	BND	**BND**	**BND**
As at 31.12.2016	30,004,401	(5,240,319)	24,764,082
Claims incurred during the year	23,967,418	(7,036,943)	16,930,475
Movements in claims incurred	(15,787,159)	305,507	(15,481,652)
As at 31.12.2017	38,184,660	(11,971,755)	26,212,905

(b) Provision for unearned contributions

Movement of provision for unearned contributions:

	Takaful Fund and Company		
	Gross	**Ceded to Retakaful**	**Net**
	BND	**BND**	**BND**
As at 31.12.2017	26,085,743	(4,451,432)	21,634,311
Contributions written during the year	50,315,355	(16,272,461)	34,042,894
Contributions earned during the year	(54,285,491)	15,506,361	(38,779,130)
As at 31.12.2018	22,115,607	(5,217,532)	16,898,075

	Takaful Fund and Company		
	Gross	**Ceded to Retakaful**	**Net**
	BND	**BND**	**BND**
As at 31.12.2016	27,588,471	(3,950,310)	23,638,161
Contributions written during the year	62,458,803	(22,452,163)	40,006,640
Contributions earned during the year	(63,961,531)	21,951,041	(42,010,490)
As at 31.12.2017	26,085,743	(4,451,432)	21,634,311

13 Expense liabilities

	Takaful Operator and Company	
	31.12.2018	**31.12.2017**
	BND	**BND**
Expense liabilities	3,604,747	3,313,990

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

The movement in expense liabi!ities is as follows:

	Takaful Operator and Company
	BND
1.1.2017	2,649,269
Movement in provision for unexpired expense reserve	664,721
31.12.2017	3,313,990
Movement in provision for unexpired expense reserve	290,757
31.12.2018	3,604,747

14 Takaful certificate payables

	Takaful Fund and Company	
	31.12.2018	**31.12.2017**
	BND	**BND**
Due to retakaful companies	2,432,320	6,723,835

Takaful certificate payables are current.

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

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15 Other payables

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Advanced contributions from participants	–	1,076,022	1,076,022
Profit payable to participants	–	3,362,881	3,362,881
Provision for unutilised leave	18,574	–	18,574
Amount owing from parent company	242,072	–	242,072
Amount owing from Takaful Operator of General Takaful Fund	–	3,330,107	–
Amount owing to General Takaful Fund	199,073	–	–
Other creditors	539,037	3,471,636	4,010,673
	998,756	11,240,646	8,710,222
31.12.2017			
Advanced contributions from participants	–	2,086,958	2,086,958
Profit payable to participants	–	2,539,091	2,539,091
Provision for unutilised leave	40,167	–	40,167
Amount owing to General Takaful Fund	6,811,712	–	–
Other creditors	592,908	2,475,207	3,068,115
	7,444,787	7,101,256	7,734,331

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

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16 Participants' fund

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

	31.12.2018	31.12.2017
	BND	BND
General Takaful fund	9,649,112	6,119,651

The participants' fund movements are analyzed as follows:

	Takaful Fund and Company	
	31.12.2018	31.12.2017
	BND	BND
Accumulated surplus		
At beginning of year	6,119,651	2,666,302
Effect of adopting IFRS 9	(823,974)	–
	5,295,677	2,666,302
Underwriting surplus	15,940,577	17,386,317
Surplus attributable to operator	(7,970,289)	(8,503,059)
Distribution to policyholders	(3,616,853)	(5,429,909)
At end of year	9,649,112	6,119,651

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17 Share capital

	31.12.2018	31.12.2017
	Number of shares	Number of shares
Company		
Authorised ordinary shares	20,000,000	20,000,000
	BND	BND
Issued and paid up		
At the beginning of the year	8,000,002	8,000,002
Issuance of shares	3,000,000	–
	11,000,002	8,000,002

On November 15, 2018, the Company issued 3,000,000 ordinary shares at $1 each to its parent company which was fully paid up at year end.

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 total risk requirements of the insurer.

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

18 General reserves

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

19 Investment income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Dividend income	–	613,116	613,116
Fair value loss	(40,189)	–	(40,189)
	(40,189)	613,116	572,927
31.12.2017			
Dividend income	–	448,718	448,718
Fair value gains	–	48,099	48,099
Loss on disposal of investment	–	(58)	(58)
	–	496,759	496,759

20 Other income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2018			
Road assistance service	413,085	–	413,085
Service charges	148,072	–	148,072
Other income	371,067	389,343	760,410
	932,224	389,343	1,321,567
31.12.2017			
Road assistance service	573,963	–	573,963
Service charges	85,393	–	85,393
Other income	248,129	485,634	733,763
	907,485	485,634	1,393,119

21 Management expenses

	Takaful Operator		Takaful Fund		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	BND	BND	BND	BND	BND	BND
Management fee to parent company	2,484,661	2,449,974	–	–	2,484,661	2,449,974
Salaries, bonuses and other employee benefits	2,100,764	1,983,060	–	–	2,100,764	1,983,060
Other management expenses	851,708	562,415	44,247	32,699	895,955	595,114
Wakalah fee	530,546	642,165	–	–	530,546	642,165
Office rental expenses	145,700	109,358	–	–	145,700	109,358
Legal and professional fees	143,592	86,436	–	–	143,592	86,436
Depreciation	100,376	62,532	–	–	100,376	62,532
Marketing and promotional costs	87,855	79,456	–	–	87,855	79,456
Utilities	80,156	92,905	–	–	80,156	92,905
	(6,525,358)	(6,068,301)	(44,247)	(32,699)	(6,569,605)	(6,101,000)

22 Change in expense liability

	Takaful Operator and Company	
	31.12.2018	31.12.2017
	BND	BND
Increase in unexpired expense reserve	(290,757)	(664,721)

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

23 Other gains and losses

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2018			
Impairment of takaful receivables	–	(249,731)	(249,731)
Foreign exchange (losses) gains	30,000	(112,571)	(82,571)
	30,000	(362,302)	(332,302)
31.12.2017			
Impairment of takaful receivables	–	(661,489)	(661,489)
Provision for takaful receivables no longer required	–	89,193	89,193
Foreign exchange gains (losses)	(17,473)	115,709	98,236
	(17,473)	(456,587)	(474,060)

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24 Tax expense

	Takaful Operator and Company	
	31.12.2018	**31.12.2017**
Taxation in respect of current year's profit	58,766	373,096
Prior year under provision	–	194,654
Deferred tax expense (note 11)	24,362	62,048
	83,128	629,798

Relationship between tax expense and accounting profit:

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

	Takaful Operator and Company	
	31.12.2018	**31.12.2017**
	BND	**BND**
Profit before taxation	2,076,209	2,660,049
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	384,098	492,109
Adjustments:		
Further deduction	(316,532)	(22,433)
Capital allowances	(26,957)	(76,051)
Non-deductible expenses	45,907	13,319
Tax threshold deduction and others	(27,750)	(33,848)
Provision for taxation in respect of current year's profit	58,766	373,096

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.

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25 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 that disclosed below there were no transactions with Key Management Personnel during the year.

Other related party transactions

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

	Company	
	31.12.2018	**31.12.2017**
	BND	**BND**
Ultimate parent Company		
- Contributions received/ receivable	9,486	553,516
- Rental and other fees paid / payable	20,241	25,275
Parent Company		
- Management fee paid / payable	2,484,661	2,449,974
Other related parties		
- Contributions received / receivable	156,775	33,763
- Rental and other fees paid / payable	25,630	108
- Travelling expenses paid / payable	7,555	18,979

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, interest free and without fixed repayment terms.

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

26 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:

	Takaful Fund and Company	
	31.12.2018	**31.12. 2017**
	BND	**BND**
Concentration of gross takaful contribution:		
General Takaful business	37,479,769	46,011,174
General Special Risk Takaful business	12,835,586	16,447,629
	50,315,355	62,458,803

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 concentration by type of business:

	Gross	Ceded to Retakaful	Net
	BND	**BND**	**BND**
31.12.2018			
Motor	35,506,947	(4,407,142)	31,099,805
Fire	916,249	(316,784)	599,465
Personal Accidents	669,797	(141,087)	528,710
Liability	248,260	(45,099)	203,161
Engineering, Energy, Aviation and other special risk	12,974,102	(11,362,349)	1,611,753
	50,315,355	(16,272,461)	34,042,894

	Gross	Ceded to Retakaful	Net
	BND	**BND**	**BND**
31.12.2017			
Motor	44,140,291	(5,204,700)	38,935,591
Personal Accidents	516,147	(138,515)	377,632
Fire	923,457	(553,322)	370,135
Liability	321,370	(12,034)	309,336
Engineering, Energy, Aviation and other special risk	16,557,538	(16,543,592)	13,946
	62,458,803	(22,452,163)	40,006,640

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 judgements 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 Energy 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 Outstanding Claims Liability
31.12.2018			
Motor	+10%	17,605,728	16,875,803
Fire	+10%	158,695	139,363
Miscellaneous excluding Special risks	+10%	301,720	227,883
Special risks	+10%	477,069	350,816
		18,543,212	17,593,865
31.12.2017			
Motor	+10%	15,274,805	14,936,989
Fire	+10%	133,442	121,117
Miscellaneous excluding Special risks	+10%	211,244	165,950
Special risks	+10%	420,983	229,197
		16,040,474	15,453,253

Claims development

In setting provisions for claims, the Company give 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 3 diagonal years. Claims development factors that 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 2018:

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year									15,883,858	17,566,484	22,576,820	18,255,973	
One year later								14,503,647	16,019,586	15,974,134	23,329,881		
Two years later							16,219,668	14,547,528	16,792,266	16,469,580			
Three years later						21,314,965	18,111,333	15,382,129	16,888,034				
Four years later					15,912,001	19,630,084	18,078,400	15,617,138					
Five years later				13,539,103	16,878,557	19,808,475	18,311,692						
Six years later			9,142,386	13,570,772	16,390,185	20,023,984							
Seven years later			9,892,518	13,572,800	17,157,181								
Eight years later			8,808,026	13,481,979									
Nine years later		6,857,030	8,843,457										
Ten years later	3,781,676	6,856,253											
Eleven years later	3,432,116												
Current estimate of cumulative claims incurred	**3,432,116**	**6,856,253**	**8,843,457**	**13,481,979**	**17,157,181**	**20,023,984**	**18,311,692**	**15,617,138**	**16,888,034**	**16,469,580**	**23,329,881**	**18,255,973**	
At the end of accident year		3,970,563	4,700,934	5,833,568	8,816,433	11,914,081	8,771,785	7,878,992	7,882,120	8,278,992	8,195,953	7,892,361	
One year later	1,395,076	5,533,766	7,087,892	9,713,896	13,284,206	15,526,382	13,513,343	11,443,993	12,173,467	13,100,419	14,827,499		
Two years later	1,531,429	6,505,719	7,490,342	10,683,912	14,027,002	16,271,403	14,130,952	11,875,748	12,487,043	13,430,260			
Three years later	1,820,138	6,721,337	7,813,752	11,097,004	14,522,996	16,672,257	14,871,929	12,547,496	14,022,386				
Four years later	2,190,455	6,740,514	8,537,947	11,293,219	14,712,934	17,068,967	15,008,853	13,147,400					
Five years later	2,921,631	6,745,218	8,588,892	11,377,026	14,725,621	17,894,813	15,474,267						
Six years later	2,923,406	6,746,318	8,590,091	11,542,458	14,760,222	17,967,537							
Seven years later	2,948,355	6,746,318	8,598,248	12,119,743	14,891,575								
Eight years later	2,948,355	6,742,637	8,602,361	12,468,943									
Nine years later	2,948,567	6,743,208	8,627,457										
Ten years later	2,971,103	6,743,208											
Eleven years later	3,100,519												
Cumulative payments to date	**3,100,519**	**6,743,208**	**8,627,457**	**12,468,943**	**14,891,575**	**17,967,537**	**15,474,267**	**13,147,400**	**14,022,386**	**13,430,260**	**14,827,499**	**7,892,361**	
Best estimate of claims liabilities (including Allocated loss adjustment expenses)	331,597	113,045	216,000	1,013,036	2,265,606	2,056,447	2,837,425	2,469,738	2,865,649	3,039,320	8,502,382	10,363,612	36,073,857
Fund PRAD at 75%													4,991,613
Total													41,065,470
Claims payable													191,287
													41,256,757

Claims development table

Net General Takaful Certificate Liabilities for 2018:

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year									15,855,112	17,155,876	17,734,449	17,161,880	
One year later								13,935,122	15,977,658	15,665,028	17,979,434		
Two years later							16,158,047	13,823,569	15,785,043	15,805,099			
Three years later						18,015,135	16,428,224	14,789,199	15,236,112				
Four years later					15,686,078	18,593,724	16,006,571	14,845,356					
Five years later				12,426,292	16,043,986	18,684,402	16,295,940						
Six years later			8,640,659	12,428,500	15,576,138	18,853,482							
Seven years later			9,437,270	12,367,456	15,718,627								
Eight years later			8,902,231	12,497,262									
Nine years later		4,789,747	8,937,583										
Ten years later	3,018,754	4,788,970											
Eleven years later	2,995,720												
Current estimate of cumulative claims incurred	**2,995,720**	**4,788,970**	**8,937,583**	**12,497,262**	**15,718,627**	**18,853,482**	**16,295,940**	**14,845,356**	**15,236,112**	**15,805,099**	**17,979,434**	**17,161,880**	
At the end of accident year		3,970,563	4,700,934	5,831,739	8,815,749	11,899,783	8,757,994	7,860,824	7,875,314	8,265,919	8,184,145	7,874,404	
One year later	1,395,076	5,533,766	7,087,892	9,688,796	13,145,104	15,353,125	13,482,535	11,421,449	12,161,033	13,069,300	14,710,167		
Two years later	1,531,429	6,505,719	7,490,342	10,417,841	13,805,187	16,098,146	14,079,180	11,851,519	12,473,731	13,399,141			
Three years later	1,820,138	4,654,054	7,813,752	10,830,932	14,301,181	16,499,000	14,462,888	12,374,097	13,187,957				
Four years later	2,056,602	4,673,230	8,354,370	11,027,148	14,491,119	16,587,842	14,614,412	12,820,979					
Five years later	2,485,235	4,677,934	8,405,315	11,110,954	14,503,806	17,203,021	14,974,826						
Six years later	2,487,010	4,679,034	8,406,514	11,276,085	14,538,407	17,275,745							
Seven years later	2,511,959	4,679,034	8,490,681	11,828,671	14,669,761								
Eight years later	2,511,959	4,675,353	8,696,487	12,024,506									
Nine years later	2,512,171	4,675,925	8,721,583										
Ten years later	2,534,707	4,675,925											
Eleven years later	2,664,123												
Cumulative payments to date	**2,664,123**	**4,675,925**	**8,721,583**	**12,024,506**	**14,669,761**	**17,275,745**	**14,974,826**	**12,820,979**	**13,187,957**	**13,399,141**	**14,710,167**	**7,874,404**	
Best estimate of claims liabilities (including Allocated loss adjustment expenses)	331,597	113,045	216,000	472,756	1,048,867	1,577,737	1,321,113	2,024,377	2,048,155	2,405,958	3,269,266	9,287,476	24,116,347
Fund PRAD at 75%													2,761,423
Total													26,877,770
Claims payable													191,287
Total													**27,069,057**

27 Financial risk management

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

a) Shariah non-compliance risk

a. Shariah non-compliance risk is the risk that arises from failure to comply with the Shariah rules and principles prescribed by Shariah Advisory Committee and by the Shariah Financial Supervisory Board. Shariah compliance is considered as falling within the higher priority category in relation to other identified risks.

b. The Company ensures that this risk is managed by ensuring that Shariah rules and principles are complied with at all times as advised and monitored by the Shariah Advisory Committee of the Company with respect to the products and activities. This means that Shariah compliance considerations are taken into account whenever the Company accepts deposits and ventures into investment funds, provides finance and carries out investment services for their customers.

c. The Company shall ensure that their contract documentation complies with Shariah rules and principles with regard to formation, termination and elements possibly affecting contract performance such as fraud, misrepresentation, duress or any other rights and obligations.

b) Credit risk

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

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

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

Company	Note	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
			BND	BND	BND
December 31, 2018					
Takaful certificate receivables	7	Life time ECL (simplified approach)	9,384,547	(6,907,059)	2,477,488
Other receivables	8	12 month ECL	2,649,349	-	2,649,349

The Company has applied the simplified approach to measure the loss allowance at lifetime ECL for takaful certificate receivables. The Company determined the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic condutions. Accordingly, the credit risk profile is presented based on their past due status in terms of the provision matrix. Note 7 include further details on the loss allowance of takaful certificate receivables respectively.

Credit exposure

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

	31.12.2018	31.12.2017
	BND	BND
Financial assets at FVTPL	2,220,153	–
AFS financial assets	–	2,230,343
Amortised cost/loans and receivables		
- Cash and cash equivalents	18,677,076	19,632,516
- Short-term placements	60,500,000	57,500,000
- Retakaful certificate assets*	14,187,700	11,971,755
- Takaful and other receivables	5,126,837	5,568,921
	100,711,766	96,903,535

* Excludes unearned retakaful contribution

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

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c) Liquidity risk

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

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

Company As at 31 December 2018	Less than 3 months BND	> 3 – 6 months BND	> 6 – 12 months BND	> 1 – 3 years BND	> 3 – 5 years BND	Over 5 years BND	No specific maturity BND	Total BND
Assets								
Financial assets at FVTPL	–	–	–	–	–	–	2,220,153	2,220,153
Retakaful certificate assets	16,447	–	10,227,944	–	–	–	3,943,309	14,187,700
Takaful certificate receivables	2,445,333	32,155	–	–	–	–	–	2,477,488
Other receivables	138,736	34,381	449,980	2,026,252	–	–	–	2,649,349
Short-term placements	–	2,000,000	47,000,000	11,500,000	–	–	–	60,500,000
Cash and cash equivalents	–	–	–	–	–	–	18,677,076	18,677,076
	2,600,516	2,066,536	57,677,924	13,526,252	–	–	24,840,538	100,711,766
Liabilities								
Takaful certificate liabilities	1,492,383	6,209,179	14,436,090	145,566	22,859	957	41,065,330	63,372,364
Takaful certificate payables	–	2,432,320	–	–	–	–	–	2,432,320
Other payables	3,810,280	461,039	4,438,903	–	–	–	–	8,710,222
	5,302,663	9,102,538	18,874,993	145,566	22,859	957	41,065,330	74,514,906

Company As at 31 December 2017	Less than 3 months BND	> 3 – 6 months BND	> 6 – 12 months BND	> 1 – 3 years BND	> 3 – 5 years BND	Over 5 years BND	No specific maturity BND	Total BND
Assets								
AFS financial assets	–	–	–	–	–	–	2,230,343	2,230,343
Retakaful certificate assets	235,078	–	6,609,744	1,149,093	–	–	3,977,840	11,971,755
Takaful certificate receivables	625,165	2,989,511	–	–	–	–	–	3,614,676
Other receivables	568,825	47,397	451,700	886,323	–	–	–	1,954,245
Short-term placements	1,000,000	2,000,000	14,500,000	40,000,000	–	–	–	57,500,000
Cash and cash equivalents	–	–	–	–	–	–	19,632,516	19,632,516
	2,429,068	5,036,908	21,561,444	42,035,416	–	–	25,840,699	96,903,535
Liabilities								
Takaful certificate liabilities	2,522,723	8,023,846	16,140,458	210,439	26,789	584	37,345,564	64,270,403
Takaful certificate payables	–	1,559,917	5,163,918	–	–	–	–	6,723,835
Other payables	342,157	1,650,663	5,487,511	–	–	–	254,000	7,734,331
	2,864,880	11,234,426	26,791,887	210,439	26,789	584	37,599,564	78,728,569

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.

Company	<USD> BND
31.12.2018	
Assets	
Cash and cash equivalents	–
Takaful certificate receivables	3,046,186
Investments	2,220,153
	5,266,339
31.12.2017	
Assets	
Cash and cash equivalents	588,245
Takaful certificate receivables	2,106,027
Investments	2,230,343
	4,924,615

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

	Change in assumptions %	Impact on profit before tax BND	Change in assumptions %	Impact on profit before tax BND
31.12.2018				
USD	10%	526,634	(10%)	(526,634)
31.12.2017				
USD	10%	492,462	(10%)	(492,462)

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.

The Company invests primarily in debt securities whereby fair values or future cash flows of the financial instruments mainly arise from changes in effective yield rate and the issuers' repayment abilities.

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

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

iv) Operational risk

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

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

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Accounting classifications and fair values

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

	<------Carrying amount------>				<------Fair value------>			
	FVTPL	Amortised Cost	FVTOCI	Total	Level 1	Level 2	Level 3	Total
Company	BND	BND	BND	BND	BND	BND	BND	BND
31.12.2018								
Financial assets measured at fair value								
Equity instruments at FVTPL	2,220,153	–	–	2,220,153	–	–	2,220,153	2,220,153
	2,220,153	–	–	2,220,153	–	–	2,220,153	2,220,153
Financial assets not measured at fair value								
Takaful certificate receivables	–	2,477,488	–	2,477,488				
Other receivables	–	2,649,349	–	2,649,349				
Cash and cash equivalents	–	18,677,076	–	18,677,076				
	–	23,803,913	–	23,803,913				
Financial liabilities not measured at fair value								
Other payables	–	8,710,222	–	8,710,222				
	–	8,710,223	–	8,710,223				

	Carrying amount						Fair value			
	Designated at fair value	Held to maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Company	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
31.12.2017										
Financial assets measured at fair value										
AFS financial assets	–	–	–	2,230,343	–	2,230,343	–	–	2,230,343	2,230,343
	–	–	–	2,230,343	–	2,230,343	–	–	2,230,343	2,230,343
Financial assets not measured at fair value										
Other receivables	–	–	1,954,245	–	–	1,954,245				
Cash and cash equivalents	–	–	19,632,516	–	–	19,632,516				
	–	–	21,586,761	–	–	21,586,761				
Financial liabilities not measured at fair value										
Other payables	–	–	–	–	7,734,331	7,734,331				
	–	–	–	–	7,734,331	7,734,331				

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

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

Financial assets/ liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2018		31 December 2017					
	Assets	Liabilities	Assets	Liabilities				
Financial assets at FVTPL (2017: Available-for-sale financial assets) (See Note 5)								
Private equity fund	2,220,153	–	2,230,343	–	Level 3	Net asset valuation of the private equity fund at year end	Net asset value	N/A

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

Reconciliation of Level 3 fair value measurements

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

	Takaful Operator and Company	
	31.12.2018	**31.12.2017**
	BND	**BND**
Financial assets at FVTPL		
(2017: Available-for-sale financial assets)		
Opening balance as at 1 January	2,230,343	–
Capital calls during the year	–	2,140,100
Gains or losses recognised in other comprehensive income (OCI) for the year:		
- Net change in fair value	–	145,910
- Net foreign exchange revaluation	–	(55,667)
Gains or losses recognised in profit or loss		
- Net change in fair value	30,000	–
- Net change in foreign exchange revaluation	(40,190)	–
Balance as at 31 December	2,220,153	2,230,343

28 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 December 31, 2018.

29 Other matters

During the year the company has derecognized Shariah non-compliant income specifically derived from conventional banks from the Statement of Profit or Loss and Other Comprehensive Income amounting to $9,647 (2017: $5,192) and has designated to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Shariah Advisory Committee.

30 Authorisation of financial statements

The financial statements of the Company for the financial year ended December 31, 2018 were authorised for issue in accordance with a resolution of the directors dated April 29, 2019.