

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

Registration Number: [RC/00008254]

Year Ended 31 December 2019

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

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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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, 2019.

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

	\$
Retained earnings at the beginning of the year	4,857,385
Profit for the year	612,437
Transfer to general reserve	<u>(214,353)</u>
Retained earnings at the end of the year	<u><u>5,255,469</u></u>

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, 2019.

RESERVES

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

DIRECTORS

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

Yang Mulia Awang Haji Khairuddin bin Haji Abdul Hamid - Chairman

Yang Mulia Pengiran Hajah Zety Sufina Binti Pengiran Dato Paduka Haji Sani (appointed on November 23, 2019)

Yang Mulia Datin Dayang Hajah Hasnah Binti Haji Ibrahim (appointed on November 23, 2019)

Yang Mulia Dr. Awang Norfarizal Bin Othman (appointed on November 23, 2019)

Yang Mulia Mr. Ramesh Pillai

Yang Mulia Awang Haji Osman bin Haji Md. Jair (resigned on November 23, 2019)

Yang Mulia Dato Seri Paduka Haji Ahmaddin bin Haji Abdul Rahman – Chairman (resigned on November 23, 2019)

Yang Mulia Awang Haji Mohd Serudin bin Haji Timbang (resigned on November 23, 2019)

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman (resigned on October 5, 2019)

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

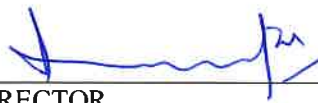
AUDITORS

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

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

Brunei Darussalam
Date: March 21, 2020

REPORT OF THE SYARIAH ADVISORY COMMITTEE

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

To the Shareholders of the Insurans Islam TAIB 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") Syariah Advisory Committee we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by IITGT during the financial period ended December 31, 2019. We have also conducted our review to form an opinion as to whether the IITGT has complied with *Hukum Syara'*.

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

We have assessed the work carried out by the Syariah 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 Syariah Advisory Committee of IITGT are of the opinion and hereby confirm that:-

- a) The contracts, transactions and dealings entered into by IITGT during the period ended December 31, 2019 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 \$13,158 (2018: \$9,647) and has been considered for disposal to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Syariah Advisory Committee of Perbadanan TAIB.

This opinion is rendered based on what has been presented by the Management of 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 Dr. Awang Azme bin Haji Matali
Deputy Chairman



Yang Mulia Awang Haji Mohd Serudin bin
Haji Timbang
Member



Yang Arif Awang Haji Hassan bin Haji Metali
Member



Yang Mulia Dayang Hajah Nornaimah binti
Haji Zainip
Secretary and Member

Yang Mulia Awang Haji Osman bin Haji Md Jair had resigned as the Member of IITGT SAC on November 23, 2019.

Brunei Darussalam
Date: March 21, 2020

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, 2019 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 77.

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, 2019 and of the financial performance, changes in equity, changes in policyholders' surplus and cash flows of the company for the year ended on that date.

Basis for Opinion

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

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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



DELOITTE & TOUCHE
Certified Public Accountants



HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: March 21, 2020

Statement of profit or loss and other comprehensive income
Year ended 31 December 2019

	Note	31.12.2019			31.12.2018		
		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
Gross takaful contributions	13(b)	-	37,952,078	37,952,078	-	50,315,355	50,315,355
Changes in unearned contribution reserves		-	2,281,700	2,281,700	-	3,970,136	3,970,136
Gross earned contributions	13(b)	-	40,233,778	40,233,778	-	54,285,491	54,285,491
Contributions ceded to retakaful	13(b)	-	(10,073,030)	(10,073,030)	-	(16,272,461)	(16,272,461)
Changes in unearned retakaful contribution reserves		-	(84,900)	(84,900)	-	766,100	766,100
Earned contributions ceded to retakaful	13(b)	-	(10,157,930)	(10,157,930)	-	(15,506,361)	(15,506,361)
Net earned contributions	13(b)	-	30,075,848	30,075,848	-	38,779,130	38,779,130
Investment income	21	(212,518)	559,701	347,183	(40,189)	613,116	572,927
Commission income		-	276,110	276,110	-	150,540	150,540
Other income	22	1,048,164	280,816	1,328,980	932,224	389,343	1,321,567
Total other operating revenue		835,646	1,116,627	1,952,273	892,035	1,152,999	2,045,034
Movement in gross claim and benefits paid	13(a)	-	(28,889,057)	(28,889,057)	-	(21,289,778)	(21,289,778)
Claim and benefits ceded to retakaful	13(a)	-	14,643,223	14,643,223	-	3,617,736	3,617,736
Net claims and benefits	13(a)	-	(14,245,834)	(14,245,834)	-	(17,672,042)	(17,672,042)

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 2019

Note	31.12.2019			31.12.2018		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
Wakalah expense						
Management expenses	–	(4,715,729)	(4,715,729)	–	(5,912,961)	(5,912,961)
Change in expense liabilities	(7,666,449)	(451,759)	(8,118,208)	(6,525,358)	(44,247)	(6,569,605)
Other gains and losses	1,365,841	–	1,365,841	(290,757)	–	(290,757)
	(7,033)	388,760	381,727	30,000	(362,302)	(332,302)
Total expenses	(6,307,641)	(4,778,728)	(11,086,369)	(6,786,115)	(6,319,510)	(13,105,625)
Operating (loss) surplus before taxation	(5,471,995)	12,167,913	6,695,918	(5,894,080)	15,940,577	10,046,497
Surplus attributable to operator	6,083,956	(6,083,956)	–	7,970,289	(7,970,289)	–
Surplus attributable to takaful fund	–	(6,083,957)	(6,083,957)	–	(7,970,288)	(7,970,288)
Profit before taxation	611,961	–	611,961	2,076,209	–	2,076,209
Income tax	476	–	476	(83,128)	–	(83,128)
Profit after taxation	612,437	–	612,437	1,993,081	–	1,993,081
Total comprehensive income for the year	612,437	–	612,437	1,993,081	–	1,993,081

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

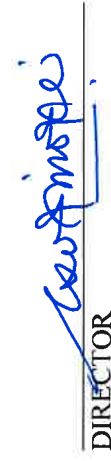
Statement of financial position
As at 31 December 2019

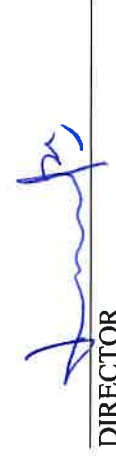
Note	31.12.2019			31.12.2018			
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company	
	BND	BND	BND	BND	BND	BND	
Assets							
4	Plant and equipment	839,119	—	839,119	739,489	—	739,489
5	Right of use asset	652,042	—	652,042	—	—	—
6	Investments	2,000,630	—	2,000,630	2,220,153	—	2,220,153
13	Retakaful certificate assets	—	22,121,770	22,121,770	—	19,405,232	19,405,232
7	Deferred acquisition costs	—	2,084,207	2,084,207	—	2,360,256	2,360,256
8	Takaful certificate receivables	—	6,803,392	6,803,392	—	2,477,488	2,477,488
9	Other receivables	14,145,784	4,504,898	5,383,039	4,830,323	1,348,206	2,649,349
10	Deposits and placements	9,000,000	47,500,000	56,500,000	15,000,000	45,500,000	60,500,000
11	Cash and cash equivalents	4,961,730	14,754,357	19,716,087	3,038,551	15,638,525	18,677,076
Total assets		31,599,305	97,768,624	116,100,286	25,828,516	86,729,707	109,029,043
Liabilities							
12	Deferred tax liability	129,464	—	129,464	127,014	—	127,014
13	Takaful certificate liabilities	—	58,507,100	58,507,100	—	63,372,364	63,372,364
14	Expense liabilities	2,238,906	—	2,238,906	3,604,747	—	3,604,747
7	Deferred acquisition costs	—	52,107	52,107	—	35,265	35,265
15	Takaful certificate payables	—	7,466,050	7,466,050	—	2,432,320	2,432,320
16	Other payables	7,152,154	20,038,035	13,922,546	998,756	11,240,646	8,710,222
17	Lease liabilities	662,818	—	662,818	—	—	—
Current tax liabilities		137,389	—	137,389	431,862	—	431,862
Total liabilities		10,320,731	86,063,292	83,116,380	5,162,379	77,080,595	78,713,794

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

Statement of financial position (cont'd)
As at 31 December 2019

Note	31.12.2019		31.12.2018	
	Takaful Operator BND	Takaful Fund BND	Takaful Operator BND	Takaful Fund BND
Participants' fund	18	–	–	9,649,112
Equity				
Share capital	19	11,000,002	11,000,002	11,000,002
General reserve	20	5,023,103	4,808,750	4,808,750
Retained earnings		5,255,469	4,857,385	4,857,385
Total shareholders' equity		21,278,574	20,666,137	20,666,137
Total equity, participants' fund and liabilities		31,599,305	25,828,516	86,729,707
				109,029,043


DIRECTOR


DIRECTOR

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

Statement of policyholders' surplus
As at 31 December 2019

	Note	Takaful Fund	
		31.12.2019	31.12.2018
		BND	BND
Surplus balance at beginning of year		9,649,112	6,119,651
Effect of adopting IFRS 9		—	(823,974)
Surplus balance at beginning of year – adjusted		9,649,112	5,295,677
Surplus for the current financial year		6,083,957	7,970,288
Total surplus at the end of year		15,733,069	13,265,965
Distribution to policyholders		(4,027,737)	(3,616,853)
Balance of retained surplus at end of year		11,705,332	9,649,112

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

**Statement of changes in equity
Year ended 31 December 2019**

	Note	Share capital	General reserve	Retained earnings	Total
		BND	BND	BND	BND
At 1 January 2018		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	18	3,000,000	–	–	3,000,000
Transfer to general reserve		–	697,578	(697,578)	–
At 31 December 2018 and 1 January 2019		11,000,002	4,808,750	4,857,385	20,666,137
Total comprehensive income for the year:					
Profit for the year		–	–	612,437	612,437
Transactions with owners, recognized directly in equity:					
Transfer to general reserve		–	214,353	(214,353)	–
At 31 December 2019		11,000,002	5,023,103	5,255,469	21,278,574

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

Statement of cash flows
Year ended 31 December 2019

	Note	31.12.2019 BND	31.12.2018 BND
Cash flows from operating activities			
Profit before income tax		611,961	2,076,209
Adjustments for:			
Surplus transferred to participants' fund		6,083,957	7,970,288
Net fair value loss from investment		219,523	10,190
Depreciation		177,967	100,376
Depreciation of right of use asset		148,060	-
Finance costs		26,617	-
Dividend income		(559,701)	(613,116)
(Reversal of) impairment loss on takaful receivables		(879,002)	249,732
Change in expense liabilities		(1,365,841)	290,757
Net change in provision for takaful contracts		(4,027,737)	(3,616,853)
		435,804	6,467,582
Changes in working capital:			
Retakaful assets		(2,716,538)	(2,982,045)
Takaful receivables		(3,446,902)	(760,491)
Deferred acquisition costs		292,891	740,437
Other receivables		(2,733,690)	(695,104)
Takaful certificate liabilities		(4,865,264)	(898,039)
Takaful payables		5,033,730	(4,291,515)
Other payables		5,212,324	975,891
Cash generated from operations		(2,787,645)	(1,443,284)
Finance costs paid		(26,617)	-
Income tax paid		(291,547)	-
Net cash used in operating activities		(3,105,809)	(1,443,284)
Cash flows from (used in) investing activities			
Dividend received		559,701	613,116
Acquisition of property, plant and equipment		(277,597)	(125,272)
Withdrawal (acquisition) of deposits and placements		4,000,000	(3,000,000)
Net cash from (used in) investing activities		4,282,104	(2,512,156)
Cash flows (used in) from financing activity			
Repayment of lease liabilities		(137,284)	-
Issuance of shares		-	3,000,000
Net cash (used in) from financing activities		(137,284)	3,000,000
Net increase (decrease) in cash and cash equivalents		1,039,011	(955,440)
Cash and cash equivalents at 1 January		18,677,076	19,632,516
Cash and cash equivalents at 31 December	11	19,716,087	18,677,076

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 March 21, 2020.

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, 2019 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 Statements*. 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 IFRSs 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, 2019. Their adoption by the company to the extent that it had a material impact on these financial statements are discussed below:

- IFRS 16 Leases

IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 116 on the company's financial statements is described below.

The company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IAS 34.

(a) Impact of the new definition of a lease

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IAS 34 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IAS 34.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the company.

(b) Impact on lessee accounting

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases, the company:

(a) recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16.C8 (b) (ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating expenses in the statement of profit or loss.

The company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position

immediately before the date of initial application as an alternative to performing an impairment review.

- The company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

The company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from January 1, 2019.

(c) Financial impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 4.5%.

The following table shows the operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 BND
Operating lease commitments at December 31, 2018	554,850
Less: Short-term leases	(8,000)
Less: Effect of discounting the above amounts	(53,496)
Lease liabilities recognised as at January 1, 2019	<u>493,354</u>

The company has assessed that there is no tax impact arising from the application of IFRS 16.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

2.5 New and revised IFRSs 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:

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The company does not anticipate that the amendments to IFRS 3 will have a material impact on its financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The company does not anticipate that the amendments to IAS 1 and IAS 8 will have a material impact on its financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The company does not anticipate that the amendments to references to the Conceptual Framework in IFRS standards will have a material impact on its financial statements.

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 interest 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

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

Foreign exchange gains and losses

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

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 25); and
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 25).

Impairment of financial assets

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

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

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

Significant increase in credit risk

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

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

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

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

Definition of default

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

Credit-impaired financial assets

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Trade and other payables

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

3.4 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 Leases

Leases (before January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

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Leases (from January 1, 2019)

The company as lessee

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

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

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

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

3.7 Provisions

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

3.8 Takaful product classification

Takaful contracts are contracts under which the company's underwrite/accept significant risks (by pooling the risks in a risk fund) from participants of 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 Syariah 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 Syariah Advisory Committee and as agreed between the company and the retakaful operator.

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

The company calculates the underwriting surplus attributable to the policyholders on the basis of segregation between the 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 Syariah Advisory Committee. According to this principle, since the holding company, a statutory body, was incorporated under Perbadanan Tabung Amanah Islam Brunei Act, Chapter 163, and has no shareholder, it is not obligated to pay Zakat. The same applies to its subsidiaries.

3.16 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.

.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 a 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 BND	Computer hardware and software BND	Furniture, fixtures and fittings BND	Renovation BND	Total BND
Company Cost					
At 1 January 2018	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
Additions	–	214,820	–	62,777	277,597
At 31 December 2019	45,224	929,097	46,919	191,400	1,212,640
Accumulated depreciation					
At 1 January 2018	(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)
Additions	(7,861)	(149,433)	(8,335)	(12,338)	(177,967)
At 31 December 2019	(30,661)	(275,942)	(28,605)	(38,313)	(373,521)
Carrying amounts					
At 31 December 2018	22,424	587,768	26,649	102,648	739,489
At 31 December 2019	14,563	653,155	18,314	153,087	839,119

5 Right of use asset

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

	<u>Office Space</u> <u>BND</u>
Company	
Cost	
At 1 January 2019, adoption of IFRS 16	493,354
Additions	<u>306,748</u>
At 31 December 2019	<u><u>800,102</u></u>
Accumulated depreciation	
At 1 January 2019	–
Additions	<u>(148,060)</u>
At 31 December 2019	<u><u>(148,060)</u></u>
Carrying amounts	
At 1 January 2019	<u>493,354</u>
At 31 December 2019	<u><u>652,042</u></u>

6 Investments

	<u>Takaful</u> <u>Operator</u> <u>BND</u>	<u>Takaful Fund</u> <u>BND</u>	<u>Company</u> <u>BND</u>
31.12.2019			
Financial assets at FVTPL	<u>2,000,630</u>	–	<u>2,000,630</u>
31.12.2018			
Financial assets at FVTPL	<u>2,220,153</u>	–	<u>2,220,153</u>

Financial assets at FVTPL

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

	<u>Takaful</u> <u>Operator</u> <u>BND</u>	<u>Takaful Fund</u> <u>BND</u>	<u>Company</u> <u>BND</u>
31.12.2019			
Unquoted equity securities	<u>2,000,630</u>	–	<u>2,000,630</u>
Financial assets at FVTPL	<u>2,000,630</u>	–	<u>2,000,630</u>

	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

7 Deferred acquisition costs

	Takaful Fund and Company		
	Gross BND	Ceded to Retakaful BND	Net BND
31.12.2019			
As at beginning of the year	2,360,256	(35,265)	2,324,991
Movement during the year	(276,049)	(16,842)	(292,891)
	2,084,207	(52,107)	2,032,100
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

8 Takaful certificate receivables

	Takaful Fund and Company	
	31.12.2019 BND	31.12.2018 BND
Due from agents/brokers and co-takaful balances	10,007,138	7,138,141
Due from retakaful operators	2,824,311	2,246,406
	12,831,449	9,384,547
Less: Loss allowance under IFRS 9	(6,028,057)	(6,907,059)
	6,803,392	2,477,488

The takaful certificate receivables from ultimate parent company and related parties is amounting to \$312,824 and \$245,427 (2018: \$468,180 and \$655) respectively, both of which are current and repayable on demand.

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				Total
	Less than 30 days (Not Past Due)	30 to 90 days	90 to 180 days	More than 180 days	
December 31, 2019					
Expected Credit loss rate	9.11%	22.77%	68.99%	100%	
Total gross carrying amount	5,957,440	268,560	1,195,549	5,409,900	12,831,449
Less: Estimated total gross carrying amount not subject to ECL	(5,041,798)	(35,829)	(6,897)	(338,302)	(5,422,826)
Estimated total gross carrying amount subject to ECL	915,642	232,731	1,188,652	5,071,598	7,408,623
Lifetime ECL	83,415	52,993	820,051	5,071,598	6,028,057
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.

	Takaful Fund & Company	
	2019	2018
	BND	BND
Balance at beginning of the year	6,907,059	5,009,380
Adjustment upon application of IFRS 9	-	1,647,948
Balance at beginning of the year (adjusted)	6,907,059	6,657,328
Net (recoveries) movement in loss allowance during the year	(879,002)	249,731
Balance as at December 31, 2019	6,028,057	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 29.

Other receivables

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2019			
Amount due from ultimate parent	-	36,264	36,264
Amount owing from parent company	2,501,250	1,642	2,502,892
Amount owing from Takaful Operator of General Takaful Fund	-	3,122,705	-
Amount owing from General Takaful Fund	10,144,938	-	-
Amount owing from Takaful Operator of Family Takaful Fund	249,736	1,023	250,759
Amount owing from Family Takaful Fund	181,440	-	181,440
Other receivables	1,068,420	1,343,264	2,411,684
	14,145,784	4,504,898	5,383,039
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

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.

0 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 1.30% (2018: 1.25%) per annum and have a maturity period within 24 months (2018: 24 months) from balance sheet date.

1 Cash and cash equivalents

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2019			
Cash and bank balances	4,961,730	14,754,357	19,716,087
31.12.2018			
Cash and bank balances	3,038,551	15,638,525	18,677,076

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

Reconciliation of liabilities arising from financing activities

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

Company	December 31, 2018 BND	Adoption of IFRS 16 BND	January 1, 2019 BND	New lease liabilities BND	Financing cash flows BND	December 31, 2019 BND
Lease liabilities (note 17)	—	493,354	493,354	306,748	(137,284)	662,818

2 **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	
	31.12.2019	31.12.2018
	BND	BND
At the beginning of the year	127,014	102,652
Origination of temporary differences (Note 26)	2,450	24,362
At the end of the year	<u>129,464</u>	<u>127,014</u>

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13 Takaful certificate liabilities

The takaful certificate liabilities comprise the following:

	Note	Takaful Fund and Company		
		Gross BND	Ceded to Retakaful BND	Net BND
31.12.2019				
Provision for claims incurred and admitted		20,566,687	(8,531,602)	12,035,085
Provision for incurred but not reported claims ("IBNR")		18,106,506	(8,457,536)	9,648,970
Provision for outstanding claims	(a)	38,673,193	(16,989,138)	21,684,055
Provision for unearned contributions	(b)	19,833,907	(5,132,632)	14,701,275
		<u>58,507,100</u>	<u>(22,121,770)</u>	<u>36,385,330</u>

	Note	Takaful Fund and Company		
		Gross BND	Ceded to Retakaful BND	Net 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
		<u>63,372,364</u>	<u>(19,405,232)</u>	<u>43,967,132</u>

(a) Provision for outstanding claims

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

	Takaful Fund and Company		
	Gross BND	Ceded to Retakaful BND	Net BND
As at 31.12.2018	41,256,757	(14,187,700)	27,069,057
Claims incurred during the year	28,889,057	(14,643,223)	14,245,834
Movements in claims incurred	(31,472,621)	11,841,785	(19,630,836)
As at 31.12.2019	<u>38,673,193</u>	<u>(16,989,138)</u>	<u>21,684,055</u>

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	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

(b) Provision for unearned contributions

Movement of provision for unearned contributions:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
		BND	BND
As at 31.12.2018	22,115,607	(5,217,532)	16,898,075
Contributions written during the year	37,952,078	(10,073,030)	27,879,048
Contributions earned during the year	(40,233,778)	10,157,930	(30,075,848)
As at 31.12.2019	19,833,907	(5,132,632)	14,701,275

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	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

4 Expense liabilities

	Takaful Operator and Company	
	31.12.2019	31.12.2018
	BND	BND
Expense liabilities	2,238,906	3,604,747

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

The movement in expense liabilities is as follows:

	Takaful Operator and Company BND
1.1.2018	3,313,990
Movement in provision for unexpired expense reserve	<u>290,757</u>
31.12.2018	3,604,747
Movement in provision for unexpired expense reserve	<u>(1,365,841)</u>
31.12.2019	<u><u>2,238,906</u></u>

15 Takaful certificate payables

	Takaful Fund and Company	
	31.12.2019	31.12.2018
	BND	BND
Due to retakaful companies	<u>7,466,050</u>	<u>2,432,320</u>

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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16 Other payables

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2019			
Advanced contributions from participants	—	1,603,962	1,603,962
Profit payable to participants	—	4,537,002	4,537,002
Provision for unutilised leave	3,543	—	3,543
Amount owing to Takaful Operator of Family Takaful Fund	1,784	—	1,784
Amount owing to Family Takaful Fund	—	592,370	592,370
Amount owing from parent company	3,404,061	—	3,404,061
Amount owing to Takaful Operator of General Takaful Fund	—	10,144,938	—
Amount owing to General Takaful Fund	3,122,705	—	—
Other creditors	620,061	3,159,763	3,779,824
	<u>7,152,154</u>	<u>20,038,035</u>	<u>13,922,546</u>
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
	<u>998,756</u>	<u>11,240,646</u>	<u>8,710,222</u>

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

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17 Lease liabilities

	<u>31.12.2019</u> <u>BND</u>
Maturity Analysis:	
Year 1	186,400
Year 2	178,050
Year 3	174,000
Year 4	147,000
Year 5	41,000
	<u>726,450</u>
Less: Future interest	<u>(63,632)</u>
	<u>662,818</u>

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

18 Participants' fund

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

	<u>31.12.2019</u> <u>BND</u>	<u>31.12.2018</u> <u>BND</u>
General Takaful fund	11,705,332	9,649,112

The participants' fund movements are analyzed as follows:

	<u>31.12.2019</u> <u>BND</u>	<u>31.12.2018</u> <u>BND</u>
Accumulated surplus		
At beginning of year	9,649,112	6,119,651
Effect of adopting IFRS 9	–	(823,974)
	<u>9,649,112</u>	<u>5,295,677</u>
Underwriting surplus	12,167,913	15,940,577
Surplus attributable to operator	(6,083,956)	(7,970,289)
Distribution to policyholders	(4,027,737)	(3,616,853)
	<u>11,705,332</u>	<u>9,649,112</u>
At end of year		

9 Share capital

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<u>Number of shares</u>	<u>Number of shares</u>
Company		
Authorised ordinary shares	20,000,000	20,000,000
	BND	BND
Issued and paid up		
At the beginning of the year	11,000,002	8,000,002
Issuance of shares	–	3,000,000
	<u>11,000,002</u>	<u>11,000,002</u>

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.

10 General reserves

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

11 Investment income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2019			
Dividend income	—	559,701	559,701
Fair value loss	(212,518)	—	(212,518)
	<u>(212,518)</u>	<u>559,701</u>	<u>347,183</u>
31.12.2018			
Dividend income	—	613,116	613,116
Fair value loss	(40,189)	—	(40,189)
	<u>(40,189)</u>	<u>613,116</u>	<u>572,927</u>

2 Other income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2019			
Road assistance service	582,163	—	582,163
Service charges	61,686	—	61,686
Other income	404,315	280,816	685,131
	<u>1,048,164</u>	<u>280,816</u>	<u>1,328,980</u>
31.12.2018			
Road assistance service	413,085	—	413,085
Service charges	148,072	—	148,072
Other income	371,067	389,343	760,410
	<u>932,224</u>	<u>389,343</u>	<u>1,321,567</u>

23 Management expenses

	Takaful Operator		Takaful Fund		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	BND	BND	BND	BND	BND	BND
Management fee to parent company	3,207,286	2,484,661	—	—	3,207,286	2,484,661
Salaries, bonuses and other employee benefits	2,594,351	2,100,764	—	—	2,594,351	2,100,764
Other management expenses	619,069	851,708	451,759	44,247	1,070,828	895,955
Wakalah fee	438,139	530,546	—	—	438,139	530,546
Depreciation	326,028	100,376	—	—	326,028	100,376
Legal and professional fees	202,648	143,592	—	—	202,648	143,592
Marketing and promotional costs	167,174	87,855	—	—	167,174	87,855
Utilities	98,354	80,156	—	—	98,354	80,156
Office rental expenses	13,400	145,700	—	—	13,400	145,700
	<u>(7,666,449)</u>	<u>(6,525,358)</u>	<u>(451,759)</u>	<u>(44,247)</u>	<u>(8,118,208)</u>	<u>(6,569,605)</u>

4 Change in expense liability

	Takaful Operator and Company	
	31.12.2019	31.12.2018
	BND	BND
Decrease (increase) in unexpired expense reserve	1,365,841	(290,757)

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

5 Other gains and losses

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2019			
Impairment of takaful receivables	—	879,002	879,002
Foreign exchange losses	(7,033)	(490,242)	(497,275)
	<u>(7,033)</u>	<u>388,760</u>	<u>381,727</u>
31.12.2018			
Impairment of takaful receivables	—	(249,731)	(249,731)
Foreign exchange gains (losses)	30,000	(112,571)	(82,571)
	<u>30,000</u>	<u>(362,302)</u>	<u>(332,302)</u>

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6 Income tax

	Takaful Operator and Company	
	31.12.2019	31.12.2018
Taxation in respect of current year's profit	137,390	58,766
Prior year over provision	(140,316)	—
Deferred tax expense (note 12)	2,450	24,362
	<u>(476)</u>	<u>83,128</u>

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	
	31.12.2019	31.12.2018
	BND	BND
Profit before taxation	611,961	2,076,209
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	113,213	384,098
Adjustments:		
Further addition (deduction)	57,247	(316,532)
Capital allowances	(42,388)	(26,957)
Non-deductible expenses	37,068	45,907
Tax threshold deduction and others	(27,750)	(27,750)
Provision for taxation in respect of current year's profit	<u>137,390</u>	<u>58,766</u>

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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7 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	
	31.12.2019	31.12.2018
	BND	BND
Ultimate parent company		
- Contributions received/ receivable	86,345	9,486
- Rental and other fees paid / payable	12,980	20,241
Parent company		
- Management fee paid / payable	3,207,286	2,484,661
Other related parties		
- Contributions received / receivable	233,193	156,775
- Rental and other fees paid / payable	18,070	25,630
- Travelling expenses paid / payable	25,285	7,555

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.

28 Takaful risk management

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

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

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

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

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The 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	
	31.12.2019	31.12. 2018
	BND	BND
Concentration of gross takaful contribution:		
General Takaful business	31,757,300	37,479,769
General Special Risk Takaful business	6,194,778	12,835,586
	37,952,078	50,315,355

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	Net
	BND	Retakaful	BND
31.12.2019			
Motor	29,778,434	(3,313,723)	26,464,711
Fire	875,154	(369,695)	505,459
Personal Accidents	496,480	(188,203)	308,277
Liability	99,759	(13,076)	86,683
Engineering, Energy, Aviation and other special risk	6,702,251	(6,188,333)	513,918
	37,952,078	(10,073,030)	27,879,048

	Gross	Ceded to	Net
	BND	Retakaful	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

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.

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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
31.12.2019			
Motor	+10%	25,313,594	16,041,203
Fire	+10%	100,362	100,362
Miscellaneous excluding Special risks	+10%	197,810	131,698
Special risks	+10%	757,524	97,758
		<u>26,369,290</u>	<u>16,371,021</u>
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
		<u>18,543,212</u>	<u>17,593,865</u>

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 2019:

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year										
One year later					15,883,858	17,566,484	22,576,820	18,255,973	18,555,766	
Two years later				14,503,647	16,019,586	15,974,134	23,329,881	19,070,792		
Three years later			16,219,668	14,547,528	16,792,266	16,469,580	26,562,367			
Four years later		21,314,965	18,111,333	15,382,129	16,888,034	18,052,450				
Five years later	15,912,001	19,630,084	18,078,400	15,617,138	22,925,427					
Six years later	16,878,557	19,808,475	18,311,692	17,540,412						
Seven years later	16,390,185	20,023,984	18,967,907							
Eight years later	17,157,181	20,571,724								
Nine years later	18,242,790									
Current estimate of cumulative claims incurred	18,242,790	20,571,724	18,967,907	17,540,412	22,925,427	18,052,450	26,562,367	19,070,792	18,555,766	180,489,635
Prior to 2011										1,234,047
Total Cumulative incurred claims										181,723,682
Cumulative paid claims 2011 to 2019	16,685,678	18,208,423	15,687,432	13,884,436	20,807,391	13,781,392	21,528,211	14,270,880	8,410,403	143,264,246
Prior to 2011										375,504
Total Cumulative paid claims										143,639,750
Cumulative outstanding claims 2011 to 2019	1,557,112	2,363,301	3,280,475	3,655,976	2,118,036	4,271,058	5,034,156	4,799,912	10,145,363	37,225,389
Prior to 2011										858,543
Total Gross Claims Liability at 75% confidence level										38,083,932
Claims payable										589,261
Total										38,673,193

Claims development table

Net General Takaful Certificate Liabilities for 2019:

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year										
One year later					15,855,112	17,155,876	17,734,449	17,161,880	14,146,734	
Two years later				13,935,122	15,977,658	15,665,028	17,979,434	16,667,832		
Three years later			16,158,047	13,823,569	15,785,043	15,805,099	19,660,914			
Four years later		18,015,135	16,428,224	14,789,199	15,236,112	15,557,717				
Five years later	15,686,078	18,593,724	16,006,571	14,845,356	15,117,877					
Six years later	16,043,986	18,684,402	16,295,940	15,845,973						
Seven years later	15,576,138	18,853,482	16,528,690							
Eight years later	15,718,627	19,318,292								
Nine years later	16,142,026									
Cumulative incurred claims 2011 to 2019	16,142,026	19,318,292	16,528,690	15,845,973	15,117,877	15,557,717	19,660,914	16,667,832	14,146,734	148,986,055
Prior to 2011										1,001,102
Total Cumulative incurred claims										149,987,157
Cumulative paid claims 2011 to 2019	15,474,223	17,667,075	15,197,336	13,507,851	13,626,457	13,690,519	16,774,552	14,227,843	8,366,954	128,532,810
Prior to 2011										359,550
Total Cumulative paid claims										128,892,360
Cumulative outstanding claims 2011 to 2019	667,803	1,651,217	1,331,354	2,338,122	1,491,419	1,867,198	2,886,363	2,439,989	5,779,780	20,453,244
Prior to 2011										641,550
Total Net Claims Liability at 75% confidence level										21,094,794
Claims payable										21,094,794
Total										589,261
										21,684,055

9 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 Syariah Advisory Committee and by the Syariah 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 Syariah 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 BND	Loss allowance BND	Net carrying amount BND
<u>December 31, 2019</u>					
Takaful certificate receivables	8	Life time ECL (simplified approach)	12,831,449	(6,028,057)	6,803,392
Other receivables	9	12 month ECL	5,383,038	-	5,383,038
<u>December 31, 2018</u>					
Takaful certificate receivables	8	Life time ECL (simplified approach)	9,384,547	(6,907,059)	2,477,488
Other receivables	9	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 conditions. Accordingly, the credit risk profile is presented based on their past due status in terms of the provision matrix. Note 8 include further details on the loss allowance of takaful certificate receivables respectively.

Credit exposure

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

	Company	
	31.12.2019	31.12.2018
	BND	BND
Financial assets at FVTPL	2,000,630	2,220,153
Amortised cost		
- Cash and cash equivalents	19,716,087	18,677,076
- Short-term placements	56,500,000	60,500,000
- Retakaful certificate assets*	16,989,138	14,187,700
- Takaful and other receivables	12,186,430	5,126,837
	107,392,285	100,711,766

* 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.

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Liabilities

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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

d) Market risk

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

i) Yield rate risk

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

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

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

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

ii) Foreign currency risk

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

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

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

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

	<USD> BND
Company	
31.12.2019	
Assets	
Cash and cash equivalents	1,614,646
Takaful certificate receivables	4,984,432
Investments	2,000,630
	<u>8,599,708</u>
31.12.2018	
Assets	
Cash and cash equivalents	—
Takaful certificate receivables	3,046,186
Investments	2,220,153
	<u>5,266,339</u>

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
31.12.2019				
USD	10%	859,971	(10%)	(859,971)
31.12.2018				
USD	10%	526,634	(10%)	(526,634)

iii) Price risk

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

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

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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	Total	Level 1	Level 2	Level 3
	BND	BND	BND	BND	BND	BND
Company						Total
31.12.2019						BND
Financial assets measured at fair value						
Equity instruments at FVTPL	2,000,630	–	2,000,630	–	–	2,000,630
	2,000,630	–	2,000,630	–	–	2,000,630
Financial assets not measured at fair value						
Takaful certificate receivables	–	6,803,392	6,803,392			
Other receivables	–	5,383,039	5,383,039			
Cash and cash equivalents	–	19,716,087	19,716,087			
	–	31,902,518	31,902,518			
Financial liabilities not measured at fair value						
Other payables	–	13,922,546	13,922,546			
	–	13,922,546	13,922,546			

	<-----Carrying amount----->		<-----Fair value----->				
	FVTPL	Amortised	Total	Level 1	Level 2	Level 3	Total
	BND	Cost	BND	BND	BND	BND	BND
Company							
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				

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 2019		31 December 2018					
	Assets	Liabilities	Assets	Liabilities				
Financial assets at FVTPL (See Note 5)								
Private equity fund	2,000,630	—	2,220,153	—	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.

30 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, 2019.

31 Authorisation of financial statements

The financial statements of the company for the financial year ended December 31, 2019 were authorised for issue in accordance with a resolution of the directors dated March 21, 2020.