

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

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

INSURANS ISLAM TAIB GENERAL TAKAFUL SDN BHD
(Incorporated in Brunei Darussalam)
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REPORT AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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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, 2020.

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	5,255,469
Profit for the year	987,906
Transfer to general reserve	<u>(345,768)</u>
Retained earnings at the end of the year	<u><u>5,897,607</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, 2020.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Yang Mulia Awang Haji Khairuddin bin Haji Abdul Hamid - Chairman

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

Yang Mulia Datin Dayang Hajah Hasnah Binti Haji Ibrahim - Director

Yang Mulia Dr. Awang Norfarizal Bin Othman - Director

Yang Mulia Mr. Ramesh Pillai - Director

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

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

DIRECTORS' INTERESTS IN SHARES AND/OR DEBENTURES

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


DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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


AUDITORS

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

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

Brunei Darussalam
Date: March 23, 2021

REPORT OF THE SYARIAH ADVISORY COMMITTEE



الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى 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, 2020. We have also conducted our review to form an opinion as to whether the IITGT has complied with *Hukum Syara'*.

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

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

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

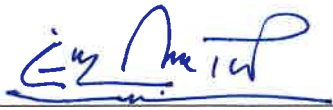
We, the Syariah Advisory Committee of IITGT are of the opinion and hereby confirm that:-

- a) The contracts, transactions and dealings entered into by IITGT during the period ended December 31, 2020 that we have reviewed are in compliance with the *Hukum Syara'*;
- b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with *Hukum Syara'*;
- c) During the year the company has derecognized Syariah non-compliant income specifically derived from conventional banks from the Statement of Profit or Loss and Other Comprehensive Income amounting to \$9,890 (2019: \$13,158) 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



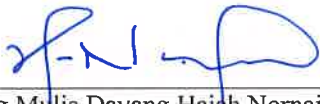
Yang Mulia Dr. Awang Azme bin Haji Matali
Deputy Chairman



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

Brunei Darussalam
Date: March 23, 2021

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, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of policyholders’ surplus and statement of cash flows of the company for the year then ended and a summary of significant accounting policies, as set out on pages 8 to 75.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act Cap. 39 (the “Act”), the Takaful Order 2008 (the “Order”) and International Financial Reporting Standards (“IFRS”) so as to give a true and fair view of the financial position of the company as at December 31, 2020 and of the financial performance, changes in equity, changes in policyholders’ surplus and cash flows of the company for the year ended on that date.

Basis for Opinion

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

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

The directors are responsible for the other information. The other information comprises the Directors’ Report and the Report of the Syariah Advisory Committee, as set out on pages 1 to 4.

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

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

Responsibilities of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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



DELOITTE & TOUCHE
Certified Public Accountants



HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: March 23, 2021

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

Note	31.12.2020			31.12.2019		
	Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
	BND	BND	BND	BND	BND	BND
Gross takaful contributions						
Changes in unearned contribution reserves	13(b)	-	34,905,322	-	37,952,078	37,952,078
		-	7,489,142	-	2,281,700	2,281,700
Gross earned contributions	13(b)	-	42,394,464	-	40,233,778	40,233,778
Contributions ceded to retakaful						
Changes in unearned retakaful contribution reserves	13(b)	-	(5,381,807)	-	(10,073,030)	(10,073,030)
		-	(4,319,705)	-	(84,900)	(84,900)
Earned contributions ceded to retakaful	13(b)	-	(9,701,512)	-	(10,157,930)	(10,157,930)
Net earned contributions	13(b)	-	32,692,952	-	30,075,848	30,075,848
Wakalah fee income (expense)	22	10,731,325	(10,731,325)	-	-	-
Increase in provision for unearned wakalah fee	14	(5,690,552)	-	-	-	-
Net earned wakalah fee		5,040,773	(10,731,325)	-	-	-
Total net earned contributions and wakalah fee		5,040,773	21,961,627	-	30,075,848	30,075,848
Movement in gross claim and benefits paid	13(a)	-	(32,176,660)	-	(28,889,057)	(28,889,057)
Claim and benefits ceded to retakaful	13(a)	-	15,388,545	-	14,643,223	14,643,223
Net claims and benefits	13(a)	-	(16,788,115)	-	(14,245,834)	(14,245,834)
Takaful profit		5,040,773	5,173,512	-	15,830,014	15,830,014

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

Statement of profit or loss and other comprehensive income (cont'd)
Year ended 31 December 2020

	Note	31.12.2020			31.12.2019		
		Takaful Operator	Takaful Fund	Company	Takaful Operator	Takaful Fund	Company
		BND	BND	BND	BND	BND	BND
Investment income	23	548,043	425,340	973,383	(212,518)	559,701	347,183
Commission income		–	90,270	90,270	–	276,110	276,110
Other income	24	872,936	273,619	1,146,555	1,048,164	280,816	1,328,980
Total other operating revenue		1,420,979	789,229	2,210,208	835,646	1,116,627	1,952,273
Commission expenses		(2,167,070)	(2,208,544)	(4,375,614)	(438,139)	(4,715,729)	(5,153,868)
Management expenses	25	(7,202,693)	(1,066,142)	(8,268,835)	(7,228,310)	(451,759)	(7,680,069)
Change in expense liabilities	26	281,577	–	281,577	1,365,841	–	1,365,841
Other gains and losses	27	11,288	2,180,876	2,192,164	(7,033)	388,760	381,727
Total expenses		(9,076,898)	(1,093,810)	(10,170,708)	(6,307,641)	(4,778,728)	(11,086,369)
Operating (loss) surplus before taxation		(2,615,146)	4,868,931	2,253,785	(5,471,995)	12,167,913	6,695,918
Surplus attributable to operator		3,594,480	(3,594,480)	–	6,083,956	(6,083,956)	–
Surplus attributable to takaful fund		–	(1,274,451)	(1,274,451)	–	(6,083,957)	(6,083,957)
Profit before taxation		979,334	–	979,334	611,961	–	611,961
Income tax	28	8,572	–	8,572	476	–	476
Profit after taxation		987,906	–	987,906	612,437	–	612,437
Total comprehensive income for the year		987,906	–	987,906	612,437	–	612,437

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


Statement of financial position
As at 31 December 2020

Note	31.12.2020			31.12.2019		
	Takaful Operator BND	Takaful Fund BND	Company BND	Takaful Operator BND	Takaful Fund BND	Company BND
Assets						
Plant and equipment	790,239	–	790,239	839,119	–	839,119
Right of use asset	483,223	–	483,223	652,042	–	652,042
Investments	2,201,903	–	2,201,903	2,000,630	–	2,000,630
Retakaful certificate assets	–	31,061,705	31,061,705	–	22,121,770	22,121,770
Deferred acquisition costs	2,421,225	36,924	2,458,149	–	2,084,207	2,084,207
Takaful certificate receivables	–	2,548,086	2,548,086	–	6,803,392	6,803,392
Other receivables	7,269,507	1,228,677	3,458,358	14,145,784	4,504,898	5,383,039
Deposits and placements	5,000,000	42,500,000	47,500,000	9,000,000	47,500,000	56,500,000
Cash and cash equivalents	13,276,866	16,541,255	29,818,121	4,961,730	14,754,357	19,716,087
Total assets	31,442,963	93,916,647	120,319,784	31,599,305	97,768,624	116,100,286
Liabilities						
Deferred tax liability	111,754	–	111,754	129,464	–	129,464
Takaful certificate liabilities	–	66,676,513	66,676,513	–	58,507,100	58,507,100
Provision for unearned wakalah fee	5,690,552	–	5,690,552	–	–	–
Expense liabilities	1,957,329	–	1,957,329	2,238,906	–	2,238,906
Deferred acquisition costs	–	27,858	27,858	–	52,107	52,107
Takaful certificate payables	–	3,031,627	3,031,627	–	7,466,050	7,466,050
Other payables	767,413	13,781,723	9,509,310	7,152,154	20,038,035	13,922,546
Lease liabilities	502,908	–	502,908	662,818	–	662,818
Current tax liabilities	146,527	–	146,527	137,389	–	137,389
Total liabilities	9,176,483	83,517,721	87,654,378	10,320,731	86,063,292	83,116,380

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

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

Note	31.12.2020			31.12.2019		
	Takaful Operator BND	Takaful Fund BND	Company BND	Takaful Operator BND	Takaful Fund BND	Company BND
Participants' fund						
19	–	10,398,926	10,398,926	–	11,705,332	11,705,332
Equity						
20	11,000,002	–	11,000,002	11,000,002	–	11,000,002
21	5,368,871	–	5,368,871	5,023,103	–	5,023,103
Retained earnings	5,897,607	–	5,897,607	5,255,469	–	5,255,469
Total shareholders' equity	22,266,480	–	22,266,480	21,278,574	–	21,278,574
Total equity, participants' fund and liabilities	31,442,963	93,916,647	120,319,784	31,599,305	97,768,624	116,100,286


DIRECTOR


DIRECTOR

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

Statement of policyholders' surplus
As at 31 December 2020

	Takaful Fund	
	31.12.2020	31.12.2019
	BND	BND
Surplus balance at beginning of year	11,705,332	9,649,112
Surplus for the current financial year	1,274,451	6,083,957
Total surplus at the end of year	12,979,783	15,733,069
Distribution to policyholders	(2,580,857)	(4,027,737)
Balance of retained surplus at end of year	10,398,926	11,705,332

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

Statement of changes in equity
Year ended 31 December 2020

	Share capital BND	General reserve BND	Retained earnings BND	Total BND
At 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 and 1 January 2020	11,000,002	5,023,103	5,255,469	21,278,574
Total comprehensive income for the year:				
Profit for the year	–	–	987,906	987,906
Transactions with owners, recognized directly in equity:				
Transfer to general reserve	–	345,768	(345,768)	–
At 31 December 2020	11,000,002	5,368,871	5,897,607	22,266,480

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

Statement of cash flows
Year ended 31 December 2020

	Note	31.12.2020 BND	31.12.2019 BND
Cash flows from operating activities			
Profit before income tax		979,334	611,961
Adjustments for:			
Increase in provision for wakalah fee		5,690,552	—
Surplus transferred to participants' fund		1,274,451	6,083,957
Depreciation		237,836	177,967
Depreciation of right of use asset		168,819	148,060
Finance costs		26,490	26,617
Foreign exchange differences		(11,288)	—
Takaful receivables written off		(46,471)	—
Net fair value (gain) loss from investment		(189,985)	219,523
Change in expense liabilities		(281,577)	(1,365,841)
Dividend income		(783,398)	(559,701)
Reversal of impairment loss on takaful receivables		(2,163,855)	(879,002)
Net change in provision for takaful contracts		(2,580,857)	(4,027,737)
		2,320,051	435,804
Changes in working capital:			
Retakaful assets		(8,939,935)	(2,716,538)
Deferred acquisition costs		(398,191)	292,891
Takaful receivables		6,444,594	(3,446,902)
Other receivables		1,945,719	(2,733,690)
Takaful certificate liabilities		8,169,413	(4,865,264)
Takaful payables		(4,434,423)	5,033,730
Other payables		(4,413,236)	5,212,324
Cash generated from (used in) operations		693,992	(2,787,645)
Finance costs paid		(26,490)	(26,617)
Income tax paid		—	(291,547)
Net cash from (used in) operating activities		667,502	(3,105,809)
Cash flows from (used in) investing activities			
Dividend received		783,398	559,701
Acquisition of property, plant and equipment		(188,956)	(277,597)
Withdrawal of deposits and placements		9,000,000	4,000,000
Net cash from investing activities		9,594,442	4,282,104
Cash flows used in financing activity			
Repayment of lease liabilities		(159,910)	(137,284)
Net increase in cash and cash equivalents		10,102,034	1,039,011
Cash and cash equivalents at 1 January		19,716,087	18,677,076
Cash and cash equivalents at 31 December	11	29,818,121	19,716,087

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 23, 2021.

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 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, 2020 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 Standards issued but not yet effective

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

Accounting standards	Summary of the requirements	Possible impact on financial statements
IFRS 17 – Insurance Contracts	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.</p> <p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.</p> <p>In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.</p>	<p>It is not practicable to provide a reasonable estimate of the effect of the IFRS17 until a detailed review is completed.</p>

	<p>IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.</p> <p>For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.</p>	
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	<p>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.</p>	The company does not anticipate that the amendments to IAS 1 will have a material impact on its financial statements.
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	<p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.</p>	The company does not anticipate that the amendments to IAS 16 will have a material impact on its financial statements.

	<p>The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</p>	
Amendments to IAS 37 – Onerous Contracts — Cost of Fulfilling a Contract	<p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	The company does not anticipate that the amendments to IAS 37 will have a material impact on its financial statements.

<p>Annual Improvements to IFRS 1 First-time Adoption of International Financial Reporting Standards</p>	<p>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).</p> <p>The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>The company does not anticipate that the annual improvement to IFRS 1 will have a material impact on its financial statements.</p>
<p>Annual Improvements to IFRS 9 Financial Instruments</p>	<p>The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>The company does not anticipate that the annual improvement to IFRS 9 will have a material impact on its financial statements.</p>

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these 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 27). Fair value is determined in the manner described in note 31.

Foreign exchange gains and losses

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

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 27); and
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (note 27).

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

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.

Under the concept of takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the company manages the General Takaful Fund in line with the principles of Wakalah (agency), which is the main business model adopted by the company effective January 1, 2020. Under the wakalah model, the Takaful Operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purposes outlined above. Wakalah fee at 35% of the gross contribution is charged by the Takaful Operator and is recognized at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Syariah. However, General Special Risk takaful business is still managed under the principles of Mudharabah model for the year ended.

(i) *Contribution income*

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

(ii) *Contribution liabilities*

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

Contribution liabilities are reported as the higher of the aggregate of the Unearned Contribution Reserves ("UCR") for all lines of business and the overall company best estimate value of the Unexpired Risk Reserves ("URR") together with 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. The UCR is calculated on net contribution income with a deduction for wakalah fee expenses to reflect the Wakalah model. In determining the UCR at statement of financial position, the method used is pro-rata basis based on a time apportionment method for general takaful business.

(b) *Unearned risk reserves*

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

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

(iii) *Provision for outstanding claims*

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

Claim liabilities are valued at best estimate which include a provision for claims reported, claims 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 and takaful operator refers to commission earned from retakaful operators in the course of accepting retakaful risks and contributions. Commission income are incurred and properly allocated to the relevant periods. This is in accordance with the principle of Wakalah as approved by the Syariah Advisory Committee and as agreed between the company and the retakaful operator.

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

The company calculates the underwriting surplus attributable to the policyholders on the basis of segregation between the 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 Syariah 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

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

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

3.12 Takaful receivables

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

Takaful receivables are derecognised when the 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.

3.17 Significant accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

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

(i) Business model assessment

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

(b) Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

There may be 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 2019	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
Additions	7,501	85,983	24,322	71,150	188,956
At 31 December 2020	52,725	1,015,080	71,241	262,550	1,401,596
Accumulated depreciation					
At 1 January 2019	(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)
Additions	(7,069)	(197,456)	(10,182)	(23,129)	(237,836)
At 31 December 2020	(37,730)	(473,398)	(38,787)	(61,442)	(611,357)
Carrying amounts					
At 31 December 2019	14,563	653,155	18,314	153,087	839,119
At 31 December 2020	14,995	541,682	32,454	201,108	790,239

5 Right of use asset

The company leases office space with an average lease term of 4 years.

	<u>Office Space</u> <u>BND</u>
Company	
Cost	
At 1 January 2019	493,354
Additions	<u>306,748</u>
At 31 December 2019	800,102
Additions	<u>-</u>
At 31 December 2020	<u><u>800,102</u></u>
Accumulated depreciation	
At 1 January 2020	-
Additions	<u>(148,060)</u>
At 31 December 2019	(148,060)
Additions	<u>(168,819)</u>
At 31 December 2020	<u><u>(316,879)</u></u>
Carrying amounts	
At 1 January 2020	<u>652,042</u>
At 31 December 2020	<u><u>483,223</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>
31.12.2020			
Financial assets at FVTPL	<u>2,201,903</u>	-	<u>2,201,903</u>
31.12.2019			
Financial assets at FVTPL	<u>2,000,630</u>	-	<u>2,000,630</u>

Financial assets at FVTPL

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

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2020			
Unquoted equity securities	2,201,903	—	2,201,903
Financial assets at FVTPL	2,201,903	—	2,201,903
	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2019			
Unquoted equity securities	2,000,630	—	2,000,630
Financial assets at FVTPL	2,000,630	—	2,000,630

7 Deferred acquisition costs

	Gross BND	Company Ceded to Retakaful BND	Net BND
31.12.2020			
As at beginning of the year	2,084,207	(52,107)	2,032,100
Movement during the year	373,942	24,249	398,191
	2,458,149	(27,858)	2,430,291
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

8 Takaful certificate receivables

	Takaful Fund and Company	
	31.12.2020	31.12.2019
	BND	BND
Due from agents/brokers and co-takaful balances	2,200,541	10,007,138
Due from retakaful operators	2,842,380	2,824,311
	5,042,921	12,831,449
Less: Loss allowance under IFRS 9	(2,494,835)	(6,028,057)
	<u>2,548,086</u>	<u>6,803,392</u>

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

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

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

	Takaful certificate receivables				Total
	Less than 30 days (Not Past Due)	30 to 90 days	90 to 180 days	More than 180 days	
December 31, 2020					
Expected Credit loss rate	10.15%	25.37%	70.32%	100%	
Total gross carrying amount	1,512,827	1,250,044	719,691	1,560,359	5,042,921
Less: Estimated total gross carrying amount not subject to ECL	(259,715)	(53,862)	(2,709)	(368)	(316,654)
Estimated total gross carrying amount subject to ECL	1,253,112	1,196,182	716,982	1,559,991	4,726,267
Lifetime ECL	127,191	303,471	504,182	1,559,991	2,494,835

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

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	
	2020	2019
	BND	BND
Balance at the beginning of the year	6,028,057	6,907,059
Net reversal in loss allowance during the year	(2,163,855)	(879,002)
Written off during the year	(1,369,367)	—
Balance as at the end of the year	<u>2,494,835</u>	<u>6,028,057</u>

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

9 Other receivables

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2020			
Amount due from ultimate parent	—	117,738	117,738
Amount owing from parent company	1,117,783	2,972	1,120,755
Amount owing from Takaful Operator of General Takaful Fund	—	29,962	—
Amount owing from General Takaful Fund	5,009,864	—	—
Amount owing from Takaful Operator of Family Takaful Fund	24,769	818	25,587
Other receivables	<u>1,117,091</u>	<u>1,077,187</u>	<u>2,194,278</u>
	<u>7,269,507</u>	<u>1,228,677</u>	<u>3,458,358</u>

	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
	<u>14,145,784</u>	<u>4,504,898</u>	<u>5,383,039</u>

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.

10 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 0.30% (2019: 1.30% per annum and have a maturity period within 24 months (2019: 24 months) from balance sheet date.

11 Cash and cash equivalents

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2020			
Cash and bank balances	<u>13,276,866</u>	<u>16,541,255</u>	<u>29,818,121</u>
31.12.2019			
Cash and bank balances	<u>4,961,730</u>	<u>14,754,357</u>	<u>19,716,087</u>

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

Reconciliation of liabilities arising from financing activities

The table below details changes in the 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 statement of cash flows as cash flows from financing activities.

	At 1 January 2020 BND	Financing cash flows ⁽ⁱ⁾ BND	Other changes ⁽ⁱⁱ⁾ BND	At 31 December 2020 BND
Lease liabilities (Note 18)	662,818	(159,910)	—	502,908

- (i) The cash flows make up the net amount of repayments of lease liabilities in the statement of cash flows.
- (ii) Other changes include finance cost accruals and payments.

12 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	
	31.12.2020	31.12.2019
	BND	BND
At the beginning of the year	129,464	127,014
(Reversal) origination of temporary differences (Note 28)	(17,710)	2,450
At the end of the year	111,754	129,464

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13 Takaful certificate liabilities

The takaful certificate liabilities comprise the following:

Takaful Fund and Company			
		Ceded to	
	Gross	Retakaful	Net
Note	BND	BND	BND
31.12.2020			
Provision for claims incurred and admitted	22,513,935	(11,267,942)	11,245,993
Provision for incurred but not reported claims ("IBNR")	31,817,813	(18,980,836)	12,836,977
Provision for outstanding claims (a)	54,331,748	(30,248,778)	24,082,970
Provision for unearned contributions (b)	12,344,765	(812,927)	11,531,838
	66,676,513	(31,061,705)	35,614,808

Takaful Fund and Company			
		Ceded to	
	Gross	Retakaful	Net
Note	BND	BND	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
	58,507,100	(22,121,770)	36,385,330

(a) Provision for outstanding claims

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

Takaful Fund and Company			
		Ceded to	
	Gross	Retakaful	Net
	BND	BND	BND
As at 31.12.2019	38,673,193	(16,989,138)	21,684,055
Claims incurred during the year	32,176,660	(15,388,545)	16,788,115
Movements in claims incurred	(16,518,105)	2,128,905	(14,389,200)
As at 31.12.2020	54,331,748	(30,248,778)	24,082,970

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	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	38,673,193	(16,989,138)	21,684,055

(b) Provision for unearned contributions

Movement of provision for unearned contributions:

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	BND
As at 31.12.2019	19,833,907	(5,132,632)	14,701,275
Contributions written during the year	34,905,322	(5,381,807)	29,523,515
Contributions earned during the year	(42,394,464)	9,701,512	(32,692,952)
As at 31.12.2020	12,344,765	(812,927)	11,531,838

	Takaful Fund and Company		
	Gross	Ceded to	Net
	BND	Retakaful	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

14 Provision for unearned wakalah fee

	Takaful Operator and Company	
	31.12.2020	31.12.2019
	BND	BND
1.1.2020	—	—
Increase during the year	5,690,552	—
31.12.2020	5,690,552	—

There is no provision for unearned wakalah fee for the year December 31, 2019 as the company adopted wakalah model effective January 1, 2020.

15 Expense liabilities

	Takaful Operator and Company	
	31.12.2020	31.12.2019
	BND	BND
Provision for unexpired expense reserve	1,727,851	2,238,906
Provision for unearned wakalah fee reserve	229,478	—
	<u>1,957,329</u>	<u>2,238,906</u>

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
1.1.2019	3,604,747
Movement in provision for unexpired expense reserve	<u>(1,365,841)</u>
31.12.2019	2,238,906
Movement in provision for unexpired expense reserve	(511,055)
Movement in provision for unearned wakalah fee reserve	<u>229,478</u>
31.12.2020	<u>1,957,329</u>

16 Takaful certificate payables

	Takaful Fund and Company	
	31.12.2020	31.12.2019
	BND	BND
Due to retakaful companies	<u>3,031,627</u>	<u>7,466,050</u>

Takaful certificate payables are current.

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

Other payables

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2020			
Advanced contributions from participants	—	1,361,187	1,361,187
Profit payable to participants	—	3,178,528	3,178,528
Provision for unutilised leave	6,909	—	6,909
Amount owing to Takaful Operator of Family Takaful Fund	—	—	—
Amount owing to Family Takaful Fund	—	162,260	162,260
Amount owing from parent company	41,363	—	41,363
Amount owing to Takaful Operator of General Takaful Fund	—	5,009,864	—
Amount owing to General Takaful Fund	29,962	—	—
Other creditors	689,179	4,069,884	4,759,063
	<u>767,413</u>	<u>13,781,723</u>	<u>9,509,310</u>
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>

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

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18 Lease liabilities

	31.12.2020	31.12.2019
	BND	BND
Maturity Analysis:		
Year 1	178,050	186,400
Year 2	174,000	178,050
Year 3	147,000	174,000
Year 4	41,000	147,000
Year 5	—	41,000
	540,050	726,450
Less: Future interest	(37,142)	(63,632)
	502,908	662,818

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

19 Participants' fund

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

	31.12.2020	31.12.2019
	BND	BND
General Takaful fund	10,398,926	11,705,332

The participants' fund movements are analyzed as follows:

	Takaful Fund and Company	
	31.12.2020	31.12.2019
	BND	BND
Accumulated surplus		
At beginning of year	11,705,332	9,649,112
Underwriting surplus	4,868,931	12,167,913
Surplus attributable to operator	(3,594,480)	(6,083,956)
Distribution to policyholders	(2,580,857)	(4,027,737)
At end of year	10,398,926	11,705,332

Share capital

	31.12.2020	31.12.2019
Company	Number of shares	Number of shares
Authorised ordinary shares	20,000,000	20,000,000
	BND	BND
Issued and paid up		
At the beginning of the year	11,000,002	11,000,002
Issuance of shares	–	–
	11,000,002	11,000,002

All shares issued rank pari passu in all regards.

Ordinary shares

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

Capital management

The company's capital management policy aims to:

- maintain a strong capital base to sustain and grow the business so as to uphold investors, creditors and market confidence;
- comply with the regulatory capital requirements for the company; and
- provide an adequate return to shareholders through prudent underwriting of takaful risks and optimising investment returns within the risk parameters established by the Board.

The company determines the amount of capital in accordance with business expansion needs as well as to meet the regulatory capital requirements for the company.

The Board monitors the return on shareholders' equity, which is defined as net profit after tax divided by total shareholders' equity, and the level of dividends to ordinary shareholders. In addition, the Board also establishes and monitors the Capital Adequacy Ratio of the company, defined in the Takaful Regulations as the total financial resources divided by total risk requirements of the insurer.

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

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

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

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

21 General reserves

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

22 Wakalah fee

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2020			
Wakalah fee income	10,731,325	—	—
Wakalah fee expense	—	(10,731,325)	—
	<u>10,731,325</u>	<u>(10,731,325)</u>	<u>—</u>
31.12.2019			
Wakalah fee income	—	—	—
Wakalah fee expense	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

There is no wakalah fee for the year December 31, 2019 as the company adopted wakalah model effective January 1, 2020.

23 Investment income

	Takaful Operator BND	Takaful Fund BND	Company BND
31.12.2020			
Dividend income	358,058	425,340	783,398
Fair value gain	189,985	—	189,985
	<u>548,043</u>	<u>425,340</u>	<u>973,383</u>
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>

Other income

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2020			
Road assistance service	766,716	–	766,716
Service charges	46,354	–	46,354
Other income	59,866	273,619	333,485
	<u>872,936</u>	<u>273,619</u>	<u>1,146,555</u>
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>

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Management expenses

	Takaful Operator		Takaful Fund		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	BND	BND	BND	BND	BND	BND
Management fee to parent company	2,989,211	3,207,286	—	—	2,989,211	3,207,286
Salaries, bonuses and other employee benefits	2,673,683	2,594,351	—	—	2,673,683	2,594,351
Other management expenses	783,209	619,069	1,066,142	451,759	1,849,351	1,070,828
Depreciation	406,655	326,028	—	—	406,655	326,028
Legal and professional fees	173,159	202,648	—	—	173,159	202,648
Utilities	113,300	98,354	—	—	113,300	98,354
Marketing and promotional costs	57,476	167,174	—	—	57,476	167,174
Office rental expenses	6,000	13,400	—	—	6,000	13,400
	(7,202,693)	(7,228,310)	(1,066,142)	(451,759)	(8,268,835)	(7,680,069)

26 Change in expense liability

	Takaful Operator and Company	
	31.12.2020	31.12.2019
	BND	BND
Decrease in unexpired expense reserve	511,055	1,365,841
Increase in unearned wakalah fee reserve	(229,478)	–
	<u>281,577</u>	<u>1,365,841</u>

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

27 Other gains and losses

	Takaful Operator	Takaful Fund	Company
	BND	BND	BND
31.12.2020			
Reversal of impairment of takaful receivables	–	2,163,855	2,163,855
Foreign exchange gains	11,288	63,492	74,780
Takaful receivables written off	–	(46,471)	(46,471)
	<u>11,288</u>	<u>2,180,876</u>	<u>2,192,164</u>
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>

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Income tax

	Takaful Operator and Company	
	31.12.2020	31.12.2019
	BND	BND
Taxation in respect of current year's profit	146,527	137,390
Prior year over provision	(137,389)	(140,316)
Deferred tax (benefit) expense (note 12)	(17,710)	2,450
	(8,572)	(476)

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	
	31.12.2020	31.12.2019
	BND	BND
Profit before taxation	979,334	611,961
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	181,177	113,213
Adjustments:		
Further (deduction) addition	(25,431)	57,247
Capital allowances	(21,531)	(42,388)
Non-deductible expenses	40,062	37,068
Tax threshold deduction and others	(27,750)	(27,750)
Provision for taxation in respect of current year's profit	146,527	137,390

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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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	
	31.12.2020	31.12.2019
	BND	BND
Ultimate parent company		
- Contributions received/ receivable	840	86,345
- Rental and other fees paid / payable	103,214	12,980
Parent company		
- Management fee paid / payable	2,989,211	3,207,286
Other related parties		
- Contributions received / receivable	49,150	233,193
- Rental and other fees paid / payable	2,661	18,070
- Travelling expenses paid / payable	5,873	25,285

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.

30 Takaful risk management

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

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

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

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

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of road accidents, and the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The company manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

The concentration of takaful risk by gross takaful contribution is summarised below:

	Takaful Fund and Company	
	31.12.2020	31.12.2019
	BND	BND
Concentration of gross takaful contribution:		
General Takaful business	32,117,958	31,757,300
General Special Risk Takaful business	2,787,364	6,194,778
	34,905,322	37,952,078

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
31.12.2020			
Motor	30,320,809	(2,635,365)	27,685,444
Fire	856,523	(253,359)	603,164
Personal Accidents	312,628	(13,466)	299,162
Liability	238,644	(25,075)	213,569
Engineering, Energy, Aviation and other special risk	3,176,718	(2,454,542)	722,176
	34,905,322	(5,381,807)	29,523,515
	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

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
31.12.2020			
Motor	+10%	1,460,158	1,460,158
Fire	+10%	40,545	40,545
Miscellaneous excluding Special risks	+10%	17,766	17,766
Special risks	+10%	71,157	5,833
		<u>1,589,626</u>	<u>1,524,302</u>
31.12.2019			
Motor	+10%	2,291,607	1,452,190
Fire	+10%	11,556	11,556
Miscellaneous excluding Special risks	+10%	21,654	14,417
Special risks	+10%	260,134	33,570
		<u>2,584,951</u>	<u>1,511,733</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 2020:

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year											
One year later	14,409,438	18,605,691	18,966,463	15,952,272	15,883,858	17,566,484	22,576,820	18,255,973	18,555,766	15,219,187	
Two years later	16,249,355	18,412,322	16,490,763	14,503,647	16,019,386	15,974,134	23,329,881	19,070,792	25,634,587		
Three years later	15,260,318	18,029,441	16,219,668	14,547,528	16,792,266	16,469,580	26,562,367	20,944,215			
Four years later	15,250,938	21,314,965	18,111,333	15,382,129	16,888,034	18,052,450	30,281,294				
Five years later	15,912,001	19,630,084	18,078,400	15,617,138	22,925,427	19,021,823					
Six years later	16,878,557	19,808,475	18,311,692	17,540,412	26,119,544						
Seven years later	16,390,185	20,023,984	18,967,907	17,975,188							
Eight years later	17,157,181	20,571,724	19,068,020								
Nine years later	18,242,790	20,571,650									
Ten years later	17,893,615										
Cumulative incurred claims 2011 to 2020	17,893,615	20,571,650	19,068,020	17,975,188	26,119,544	19,021,823	30,281,294	20,944,215	25,634,587	15,219,187	212,729,123
Prior to 2011											1,179,056
Total Cumulative incurred claims											213,908,179
Cumulative paid claims 2011 to 2020	17,758,735	18,732,080	15,776,391	14,958,991	21,118,212	14,269,926	22,764,884	14,699,741	11,808,035	7,718,956	159,605,951
Prior to 2011											491,036
Total Cumulative paid claims											160,096,987
Cumulative outstanding claims 2011 to 2020	134,880	1,839,570	3,291,629	3,016,197	5,001,332	4,751,897	7,516,410	6,244,474	13,826,553	7,500,231	53,123,173
Prior to 2011											688,019
Total Net Claims Liability at 75% confidence level											53,811,192
Claims payable											520,556
Total											54,331,748

Claims development table

Net General Takaful Certificate Liabilities for 2020:

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND	BND
At the end of accident year											
One year later	14,409,438	18,591,195	17,894,723	15,733,710	15,855,112	17,155,876	17,734,449	17,161,880	14,146,734	14,379,121	
Two years later	16,231,584	18,743,021	16,397,849	13,935,122	15,977,658	15,665,028	17,979,434	16,667,832	14,677,996		
Three years later	15,420,228	18,017,677	16,158,047	13,823,569	15,785,043	15,805,099	19,660,914	18,039,264			
Four years later	15,250,938	18,015,135	16,428,224	14,789,199	15,236,112	15,557,717	20,662,097				
Five years later	15,686,078	18,593,724	16,006,571	14,845,356	15,117,877	15,750,077					
Six years later	16,043,986	18,684,402	16,295,940	15,845,973	15,404,486						
Seven years later	15,576,138	18,853,482	16,528,690	15,736,069							
Eight years later	15,718,627	19,318,292	16,183,368								
Nine years later	16,142,026	19,249,679									
Ten years later	15,988,210	19,249,679	16,183,368	15,736,069	15,404,486	15,750,077	20,662,097	18,039,264	14,677,996	14,379,121	166,070,367
Cumulative incurred claims 2011 to 2020											946,949
Prior to 2011											167,017,316
Total Cumulative incurred claims											142,979,822
Cumulative paid claims 2011 to 2020	15,853,329	18,156,023	15,286,296	14,403,451	13,913,758	14,038,735	17,442,471	14,603,610	11,750,022	7,532,127	
Prior to 2011											475,080
Total Cumulative paid claims											143,454,902
Cumulative outstanding claims 2011 to 2020	134,880	1,093,657	897,072	1,332,619	1,490,728	1,711,342	3,219,626	3,435,655	2,927,974	6,846,994	23,090,5467
Prior to 2011											471,867
Total Net Claims Liability at 75% confidence level											23,562,414
Claims payable											520,556
Total											24,082,970

31 Financial risk management

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

a) Syariah non-compliance risk

- a. Syariah non-compliance risk is the risk that arises from failure to comply with the Syariah rules and principles prescribed by Syariah Advisory Committee and by the Syariah Financial Supervisory Board. Syariah compliance is considered as falling within the higher priority category in relation to other identified risks.
- b. The company ensures that this risk is managed by ensuring that Syariah rules and principles are complied with at all times as advised and monitored by the Syariah Advisory Committee of the company with respect to the products and activities. This means that Syariah compliance considerations are taken into account whenever the company accepts deposits and ventures into investment funds, provides finance and carries out investment services for their customers.
- c. The company shall ensure that their contract documentation complies with Syariah rules and principles with regard to formation, termination and elements possibly affecting contract performance such as fraud, misrepresentation, duress or any other rights and obligations.

b) Credit risk

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

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

The company has Takaful and other receivables balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, the company has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. Receivable balances are monitored on an on-going basis with the result that 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, 2020</u>					
Takaful certificate receivables	8	Life time ECL (simplified approach)	5,042,921	(2,494,835)	2,548,086
Other receivables	9	12 month ECL	3,458,358	—	3,458,358
<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

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	
	31.12.2020	31.12.2019
	BND	BND
Financial assets at FVTPL	2,201,903	2,000,630
Amortised cost		
- Cash and cash equivalents	29,818,121	19,716,087
- Short-term placements	47,500,000	56,500,000
- Retakaful certificate assets*	30,248,778	16,989,138
- Takaful and other receivables	6,006,444	12,186,430
	115,775,246	107,392,285

* Excludes unearned retakaful contribution

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

c) Liquidity risk

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

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

Insurans Islam TAIB General Takaful Sdn Bhd
Financial statements
Year ended 31 December 2019

Company As at 31 December 2020	Less than 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 3 years	> 3 – 5 years	Over 5 years	No specific maturity	Total
	BND	BND	BND	BND	BND	BND	BND	BND
Assets								
Financial assets at FVTPL	–	–	–	–	–	–	2,201,903	2,201,903
Relakaful certificate assets	–	–	11,125,050	–	–	–	19,936,655	31,061,705
Takaful certificate receivables	2,332,209	215,509	368	–	–	–	–	2,548,086
Other receivables	–	31,905	1,217,517	2,208,936	–	–	–	3,458,358
Short-term placements	25,000,000	–	22,500,000	–	–	–	–	47,500,000
Cash and cash equivalents	–	–	–	–	–	–	29,818,121	29,818,121
	27,332,209	274,414	34,842,935	2,208,936	–	–	51,956,679	116,588,173
Liabilities								
Takaful certificate liabilities	645,003	2,108,316	8,196,843	1,844,846	69,633	754	53,811,118	66,676,513
Takaful certificate payables	930,404	–	4,600	2,096,623	–	–	–	3,031,627
Other payables	460,313	77,650	361,749	8,609,598	–	–	–	9,509,310
	2,035,720	2,185,966	8,563,192	12,551,067	69,633	754	53,811,118	79,217,450

Company
As at 31 December 2019

	Less than 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 3 years	> 3 – 5 years	Over 5 years	No specific maturity	Total
	BND	BND	BND	BND	BND	BND	BND	BND
Assets								
Financial assets at FVTPL	—	—	—	—	—	—	2,000,630	2,000,630
Retakaful certificate assets	46,925	—	8,022,713	—	—	—	8,919,500	16,989,138
Takaful certificate receivables	6,089,593	375,498	338,301	—	—	—	—	6,803,392
Other receivables	147,403	94,318	3,057,386	2,083,932	—	—	—	5,383,039
Short-term placements	5,000,000	33,000,000	18,500,000	—	—	—	—	56,500,000
Cash and cash equivalents	—	—	—	—	—	—	19,716,087	19,716,087
	11,283,921	33,469,816	29,918,400	2,083,932	—	—	30,664,717	107,392,286
Liabilities								
Takaful certificate liabilities	—	—	—	20,337,573	84,642	953	38,083,932	58,507,100
Takaful certificate payables	4,787,459	—	734,105	1,944,486	—	—	—	7,466,050
Other payables	485,983	360,910	3,774,927	9,300,726	—	—	—	13,922,546
	5,273,442	360,910	4,509,032	31,582,785	84,642	953	38,083,932	79,895,696

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	
31.12.2020	
Assets	
Cash and cash equivalents	218,840
Takaful certificate receivables	485,735
Investments	2,201,903
	<u>2,906,478</u>
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>

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

	Change in assumptions	Impact on profit before tax	Change in assumptions	Impact on profit before tax
	%	BND	%	BND
31.12.2020				
USD	10%	290,648	(10%)	(290,648)
31.12.2019				
USD	10%	859,971	(10%)	(859,971)

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.

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.

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----->					
Company	FVTPL	Amortised	Total		Level 1	Level 2	Level 3	Total
31.12.2020	BND	Cost	BND	BND	BND	BND	BND	BND
Financial assets measured at fair value								
Equity instruments at FVTPL	2,201,903	–	–	2,201,903	–	–	2,201,903	2,201,903
	2,201,903	–	–	2,201,903	–	–	2,201,903	2,201,903
Financial assets not measured at fair value								
Takaful certificate receivables	–	2,548,086	2,548,086					
Other receivables	–	3,458,358	3,458,358					
Cash and cash equivalents	–	29,818,121	29,818,121					
	–	35,824,565	35,824,565					
Financial liabilities not measured at fair value								
Other payables	–	9,509,310	9,509,310					
	–	9,509,310	9,509,310					

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

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

Financial assets/ liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2020		31 December 2019					
	Assets	Liabilities	Assets	Liabilities				
Financial assets at FV/TPL (See Note 6)								
Private equity fund	2,201,903	—	2,000,630	—	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.

32 Dividends

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

Subsequent to the financial year, the directors do not recommend any dividend to be declared in respect of the financial year ended December 31, 2020.

33 Reclassification and comparative figures

Certain reclassification has been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the statement of profit or loss. Comparative figures have been adjusted to conform to the current year's presentation:

- a) The reclassification relates to the change in classification of "Wakalah fee" previously in "Management expenses" to "Commission expenses".

	As previously reported 2019 \$	As reclassified 2019 \$
<u>Statement of profit or loss and other comprehensive income</u>		
Commission expenses	(4,715,729)	(5,153,868)
Management expenses	<u>(8,118,208)</u>	<u>(7,680,069)</u>
<u>Note 25 Management expenses</u>		
Management fee to parent company	3,207,286	3,207,286
Salaries, bonuses and other employee benefits	2,594,351	2,594,351
Wakalah fee	438,139	—
Other management expenses	1,070,828	1,070,828
Depreciation	326,028	326,028
Legal and professional fees	202,648	202,648
Utilities	98,354	98,354
Marketing and promotional costs	167,174	167,174
Office rental expenses	<u>13,400</u>	<u>13,400</u>
	<u>(8,118,208)</u>	<u>(7,680,069)</u>

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- b) The change in comparative figures pertains to the change in the sensitivity in total outstanding claims liability including PRAD for the year December 31, 2019, from stressing of +10% on the Ultimate Loss Ratio (ULR) for all accident years from 2009 to 2019 to stressing of +10% on the Ultimate Loss Ratio (ULR) for one accident year only, 2019.

Note 30 Takaful risk management

		<u>As previously reported</u>	
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>
		<u>As restated</u>	
31.12.2019			
Motor	+10%	2,291,607	1,452,190
Fire	+10%	11,556	11,556
Miscellaneous excluding Special risks	+10%	21,654	14,417
Special risks	+10%	260,134	33,570
		<u>2,584,951</u>	<u>1,511,733</u>

34 Other matters

- a) During the year the company has derecognized Syariah non-compliant income specifically derived from conventional banks from the Statement of Profit or Loss and Other Comprehensive Income amounting to \$9,890 (2019: \$13,158) and has been considered for disposal to charities following the Utilisation of Dana Amal Maslahat Umum Perbadanan TAIB's guidelines as approved by the Syariah Advisory Committee of Perbadanan TAIB.
- b) The company had and will continue to pay close attention to the development of the outbreak of COVID-19 and its related impact on the company's business and financial conditions. Based on current available information, although the outbreak may have direct and indirect implications on the operating results, the management does not consider that the event would have a material impact to the company's continuity and operations. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the company's 2020 financial statements could be significantly different from estimates depending on how the situation evolves. The company will closely monitor the situation and development in this regard. The financial statements of the company for the financial year ended December 31, 2020 have not been adjusted for the financial effect as a result of the COVID-19 outbreak.

35 Authorisation of financial statements

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