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**TAKAFUL BRUNEI AM SDN BHD**  
**(Incorporated in Brunei Darussalam)**  
**Registration Number: RC00003480**

Annual Report  
Year ended 31 December 2018

## TAKAFUL BRUNEI AM SDN BHD

### REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and audited financial statements for the financial year ended 31 December 2018.

#### PRINCIPAL ACTIVITIES

The principal activities of Takaful Brunei Am Sdn Bhd (the “Company”) are underwriting of all classes of general takaful businesses as allowed under the Takaful Order, 2008 and Shariah principles.

There have been no significant changes in the nature of its activities during the financial year.

#### RESULTS

	BND'000
Retained profits brought forward	22,666
Profit after zakat and taxation	<u>3,066</u>
Retained profits at the end of the year	<u>25,732</u>

#### STATEMENT BY DIRECTORS

We certify that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended 31 December 2018.

The financial statements were approved by the Board of Directors and signed for and on its behalf of the Board.

#### DIVIDENDS

The amount of dividends paid on 29 January 2019 by the Company relating to 31 December 2016 and 2017 are as follows:

	BND'000
In respect of the financial years ended 31 December 2016 and 2017:	
Final dividend of BND 0.015 per ordinary share	342

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2018 of BND 0.05 per ordinary share will be proposed.

#### RESERVES

There were no material transfers to or from reserves during the financial year under review, except as disclosed in the financial statements. There were no transfers to reserves subsequent to the financial 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 Berhormat Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah (Chairman)	(appointed 30 July 2018)
Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof	(appointed 30 July 2018)
Yang Mulia Awang Haji Abdul Manap bin Othman	(appointed 30 July 2018)
Yang Mulia Awang Junaidi bin Haji Masri	(appointed 30 July 2018)
Yang Mulia Dato Paduka Awang Iqbal Khan	
Yang Mulia Awang Javed Ahmad	
Yang Mulia Awang Haji Shahrildin bin Pehin Orang Kaya Lela Utama Dato Paduka Haji Jaya	
Yang Berhormat Dato Seri Setia Awang Haji Bahrin bin Abdullah (Former Chairman)	(resigned as Chairman on 30 July 2018)
Yang Mulia Awang Abdul Mutalib bin Pehin Orang Kaya Seri Setia Dato Paduka Haji Mohammad Yusof	(resigned 30 July 2018)
Yang Mulia Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof	(resigned 30 July 2018)
Yang Mulia Awang Haji Zakaria bin Haji Serudin	(resigned 30 July 2018)

## AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

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Yang Berhormat Dato Seri Setia  
Dr Awang Haji Mohd Amin Liew bin  
Abdullah (Chairman)

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Yang Mulia Awang Haji Shahrildin bin  
Pehin Orang Kaya Lela Utama Dato Paduka  
Haji Jaya (Managing Director)

Brunei Darussalam

Date: 25 MAR 2019

## REPORT OF THE SHARIAH ADVISORY BODY

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد خاتم النبيين وعلى آله وصحبه أجمعين

To The Shareholders of Takaful Brunei Am Sdn Bhd

### السلام عليكم ورحمة الله وبركاته

To fulfill the terms of our appointment and in our capacity as members of Takaful Brunei Am Sdn Bhd's Shariah Advisory Body, we are pleased to report as follows:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Takaful Brunei Am Sdn Bhd during the year ended 31 December 2018. We have also conducted our review to form an opinion as to whether Takaful Brunei Am Sdn Bhd has complied with Shariah Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us.

Takaful Brunei Am Sdn Bhd management is responsible for ensuring that the financial institution conducts its business in accordance with Shariah Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of Takaful Brunei Am Sdn Bhd, and to report to you.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by Takaful Brunei Am Sdn Bhd.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Takaful Brunei Am Sdn Bhd has not violated Shariah Rules and Principles.

In our opinion:

- a) The contracts, transactions and dealings entered into by Takaful Brunei Am Sdn Bhd during the financial period ending 31 December, 2018 that we have reviewed are in compliance with the Shariah Rules and Principles;
- 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 Shariah Rules and Principles;
- c) All earnings that have been realised from sources or by means prohibited by Shariah Rules and Principles have been separated and considered for disposal to charitable causes; and
- d) The calculation of Zakat is in compliance with Shariah Rules and Principles.

We pray to Allah *Subhanahu Wa Ta'ala* to assist everyone to act in accordance with the rulings of Islamic finance 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 us in this world and in the hereafter. Amin.

والله ولي التوفيق والهداية



Yang Berhormat Pehin Orang Kaya  
Paduka Seri Utama Dato Paduka Seri Setia  
Haji Awang Salim bin Awang Haji Besar  
(Chairman)



Yang Dimuliakan Pehin Orang Kaya  
Paduka Setia Raja Dato Paduka Seri Setia  
Haji Awang Suhaili bin Haji Mohiddin  
(Member)



Yang Mulia Datin Paduka  
Dr Hajah Masnon binti Haji Ibrahim  
(Member)



Yang Mulia Dato Seri Setia  
Dr Awang Haji Mazanan bin Haji Yusof  
(Member)

Date: 25 MAR 2019

At

**Dar Takaful IBB Utama**  
**Lot 55835, Jalan Pemancha BS8711**  
**Bandar Seri Begawan**  
**Negara Brunei Darussalam**



كي في عيم جي

**KPMG**  
Unit 401- 403A, Wisma Jaya  
Jalan Pemancha  
Bandar Seri Begawan BS8811  
Brunei Darussalam

Telephone +673 222 8382  
+673 222 6888  
Fax +673 222 8389

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAKAFUL BRUNEI AM SDN BHD**

### ***Opinion***

We have audited the financial statements of Takaful Brunei Am Sdn Bhd (the "Company") set out on pages FS1 to FS49, which comprise the statement of financial position of the Company as at 31 December 2018, the statement of profit or loss and comprehensive income, statement of changes in equity, and statement of cash flows of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies.

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, Chapter 39 (the "Act") and with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the state of affairs of the Company as at 31 December 2018, and of its financial performance and its cash flows for the financial 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 International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

The Directors are responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditor's report.

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 the fact. We have nothing to report in this regard.

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

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and International Financial Reporting Standards, and for such internal controls 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Director's responsibilities also include overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 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, if any, including any significant deficiencies in internal control that we identify during our audit.

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

We form our audit opinion on the statement of financial position of the Company based on the information and explanations given to us and as shown by the books of the Company. We have obtained all the information and explanations that we required.

*KPMG*

**KPMG**  
*Certified Public Accountants*

*Sulaiman*

**Hj Shazali bin Tan Sri Dato Hj Sulaiman**  
*Public Accountant*

**Brunei Darussalam**

**Date: 25 MAR 2019**



## **Financial statements**

### **Contents**

Statements of financial position	FS1
Statement of profit or loss and comprehensive income	FS2 – FS3
Statement of changes in equity	FS4
Statement of cash flows	FS5
Notes to the financial statements	FS6 – FS49

**Statements of financial position**  
**As at 31 December 2018**

	Note	2018 BND'000	2017 BND'000
<b>Assets</b>			
Other investments	5	20,183	10,316
Ceded share of takaful contract liabilities	6	32,812	36,021
Unexpired wakalah fee	7	8,128	7,450
Takaful receivables	8	2,290	1,802
Other receivables	9	2,903	3,187
Cash and cash equivalents	10	164,508	141,557
<b>Total assets</b>		<b>230,824</b>	<b>200,333</b>
<b>Liabilities</b>			
Takaful contract liabilities	6	112,445	111,504
Takaful payables	11	3,404	2,730
Other payables	12	9,376	8,599
Provision for zakat and taxation		820	550
<b>Total liabilities</b>		<b>126,045</b>	<b>123,383</b>
Participants' fund	14	<b>52,152</b>	<b>37,257</b>
<b>Equity</b>			
Share capital	13	11,421	11,421
Reserves	13	15,474	5,606
Retained earnings		25,732	22,666
<b>Total shareholders' equity</b>		<b>52,627</b>	<b>39,693</b>
<b>Total equity and liabilities</b>		<b>230,824</b>	<b>200,333</b>

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

**Statement of profit or loss**  
**Year ended 31 December 2018**

	Note	2018 BND'000	2017 BND'000
Gross takaful contributions	6	66,322	57,967
Contributions ceded to retakaful	6	(19,786)	(11,924)
Net takaful contributions		46,536	46,043
Change in unearned contribution reserves		(3,171)	(868)
Change in unearned contribution reserves ceded to retakaful		485	1,041
Net movement in unearned contribution reserves		(2,686)	173
<b>Net earned contributions</b>		43,850	46,216
Wakalah income	15	16,494	15,819
Gross claims paid	6	(22,416)	(21,272)
Claims paid ceded to retakaful	6	12,523	9,950
Gross change to claims liabilities		2,230	9,216
Change to claims liabilities ceded to retakaful		(3,728)	(10,396)
<b>Net claims</b>		(11,391)	(12,502)
Wakalah expense	15	(16,494)	(15,819)
Amortisation of wakalah fee during the year	7	678	285
<b>Takaful profit</b>		33,137	33,999
Investment income		1,827	3,068
Other operating income	16	1,772	3,049
<b>Other income</b>		3,599	6,117
Personnel expenses	17	(3,328)	(3,288)
Change in expense reserves		(578)	168
Other operating expenses		(11,136)	(9,282)
<b>Other expenses</b>		(15,042)	(12,402)
<b>(Profit) attributable to takaful funds</b>	14	(17,674)	(21,837)
<b>Profit before zakat and taxation</b>		4,020	5,877
Zakat	19	-	-
Tax (expense)/income	19	(954)	337
<b>Profit for the year</b>	18	3,066	6,214

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

**Statement of comprehensive income**  
**Year ended 31 December 2018**

	<b>Note</b>	<b>2018</b> <b>BND'000</b>	<b>2017</b> <b>BND'000</b>
<b>Profit for the year</b>	18	3,066	6,214
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Net change in fair value of available-for-sale financial assets		9,868	2,018
Net change in fair value of available-for-sale financial assets attributable to participants' funds	14	—	—
<b>Other comprehensive income for the year, net of tax</b>		<u>9,868</u>	<u>2,018</u>
<b>Total comprehensive income for the year</b>		<u>12,934</u>	<u>8,232</u>

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

**Statement of changes in equity**  
**Year ended 31 December 2018**

	<u>Attributable to the owners of the Company</u>				
	Note	Share capital BND'000	Available- for-sale reserve BND'000	Retained earnings BND'000	Total BND'000
<b>At 1 January 2017</b>		11,421	3,588	16,452	31,461
<b>Total comprehensive income for the year</b>					
Profit for the year		—	—	6,214	6,214
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of tax		—	2,018	—	2,018
<b>Total other comprehensive income</b>		—	2,018	—	2,018
<b>Total comprehensive income for the year</b>		—	2,018	6,214	8,232
<b>At 31 December 2017/ At 1 January 2018</b>		11,421	5,606	22,666	39,693
<b>Total comprehensive income for the year</b>					
Profit for the year		—	—	3,066	3,066
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of tax		—	9,868	—	9,868
<b>Total other comprehensive income</b>		—	9,868	—	9,868
<b>Total comprehensive income for the year</b>		—	9,868	3,066	12,934
<b>At 31 December 2018</b>		11,421	15,474	25,732	52,627

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

**Statement of cash flows**  
**Year ended 31 December 2018**

	Note	2018 BND'000	2017 BND'000
<b>Cash flows from operating activities</b>			
Profit for the year		3,066	6,214
<b>Adjustments for:</b>			
Dividend income from shares		(341)	(1,830)
Income tax and zakat for the year		954	(338)
		3,679	4,046
<b>Changes in:</b>			
Takaful and other receivables		(185)	2,060
Takaful and other payables		1,432	(2,879)
Increase in takaful contract liabilities		3,472	(2,040)
Increase in participants' funds		14,895	19,232
Cash generated from operations		23,292	20,419
Income tax paid		(684)	(812)
<b>Net cash from operating activities</b>		22,609	19,607
<b>Cash flows from investing activities</b>			
Dividend received from shares		341	1,830
Proceeds from other investment distribution		1	2,018
<b>Net cash from investing activities</b>		342	3,848
<b>Net increase in cash and cash equivalents</b>		22,951	23,455
Cash and cash equivalents at 1 January		141,557	118,102
<b>Cash and cash equivalents at 31 December</b>	10	164,508	141,557

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 25 March 2019.

### 1 Domicile and activities

Takaful Brunei Am Sdn Bhd (the “Company”) is a private limited company, incorporated and domiciled in Brunei Darussalam. The address of the Company’s principal place of business and registered office is as follows:

8<sup>th</sup> Floor, Dar Takaful IBB Utama  
Jalan Pemancha, Bandar Seri Begawan BS8711  
Negara Brunei Darussalam

The financial statements of the Company as at and for the year ended 31 December 2018 do not include other entities.

The principal activities of the Company are to manage and underwrite general takaful businesses. There have been no significant changes in the nature of these activities during the financial year.

### 2 Basis of preparation

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the “Act”) and International Financial Reporting Standards (“IFRS”s).

The Company is required to present financial statements for itself and the takaful funds it manages and controls in accordance with the requirements of IFRS 10 *Consolidated Financial Statements*. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, and General Takaful Fund are supplementary financial information presented in accordance with the requirements of Takaful Order, 2008 (“TO”) in Brunei to present assets, liabilities, income and expenses of takaful funds from its own. The statements of financial position and profit or loss and comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the takaful funds managed by it. The statements of financial position and profit or loss and comprehensive income of the General Takaful Fund include only the assets, liabilities, income and expenses 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 as otherwise described in the notes below.

## 2.3 Functional and presentation currency

These financial statements are presented in Brunei Darussalam dollars, which is the Company's functional currency. All financial information stated in Brunei Darussalam dollars has been rounded to the nearest thousand, unless otherwise stated.

## 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 21 – Takaful risk management

### *Measurement of fair values*

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. If third party information, such as broker quotes or pricing services, is used to measure fair values, management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about assumptions made in measuring fair value is included in the notes.

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **3.1 Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income (“OCI”) are reclassified to profit or loss).

#### **3.2 Financial instruments**

##### *Non-derivative financial assets*

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: Financial assets at fair value through profit or loss, held-to-maturity financial assets, Financing and Advances and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*

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

Financial assets classified as held for trading comprise sukuk actively managed by the management to address short-term liquidity needs.

Financial assets designated at fair value through profit or loss comprise sukuk that otherwise would have been classified as available for sale.

*Held-to-maturity financial assets*

If the Company has the positive intent and ability to hold financial assets to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective profit method, less any impairment losses.

The effective profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective profit rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective profit rate includes all transaction costs that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Held-to-maturity financial assets comprise sukuk.

*Financing and Advances*

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

Financing and Advances comprise cash and cash equivalents, and other receivables.

#### *Available-for-sale financial assets*

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

Available-for-sale financial assets comprise equity securities and sukuk.

#### *Non-derivative financial liabilities*

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

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

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective profit method.

Other financial liabilities comprise amount due to shareholder and other payables.

#### *Share capital*

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

#### *Offsetting*

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

### **3.3 Impairment**

#### *(i) Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers a decline of 20% to be significant and a period of 9 months to be prolonged.

*Financing and advances and held-to-maturity investment securities*

The Company considers evidence of impairment for financing and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant financing and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financing and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together financing and advances and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective profit rate. Losses are recognised in profit or loss and reflected in an allowance account against Financing and Advances or held-to-maturity investment securities. Profit on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective profit method are reflected as a component of profit income. If, in a subsequent period, the fair value of an impaired available-for-sale Sukuk increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

(ii) *Non-financial assets*

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

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

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.

### **3.4 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.

### **3.5 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 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.

### **3.6 Classification of takaful and investment contracts**

Takaful contracts are contracts in which the Company underwrites/accepts significant risks (by pooling the risks in a risk fund) from participants of General Takaful Fund (collectively referred to as "the funds") ("the participant") by agreeing to compensate the participant or other beneficiary if a specified uncertain future event ("the takaful 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

Contracts where insignificant takaful risks are accepted by the funds are classified as either investment contracts or service contracts. There are currently no such contracts in the funds' 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 expired.

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.

#### *Takaful receivables*

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

The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

Takaful receivables are derecognised when the de-recognition criteria for financial assets have been met.

### **3.7 General Takaful Fund**

The General Takaful Fund is maintained in accordance with the requirements of the Takaful Order, 2008 and includes the profits attributable to participants which represents the participants' share of the return of investments and are distributable in accordance with the terms and conditions prescribed by the Company.

The General Takaful underwriting results are determined for each class of takaful business after taking into account unearned contributions, retakaful, claims incurred, wakalah fees, commissions and miscellaneous expenses.

#### *(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 advances received from the ceding takaful operators. Outward retakaful contributions are recognised as contribution income in the same financial period as the underlying takaful risk which the retakaful relates

(ii) *Unearned contribution reserves*

The unearned contribution reserves (“UCR”) represents the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period. The provision for UCR at each reporting date is calculated using the 1/24 method on written premiums, except for policies with periods exceeding one year or less than one year which is calculated on a daily pro-rata basis over the policy period for general takaful business.

(iii) *Provision for outstanding claims*

A liability for outstanding claims is recognised in respect of all takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the balance sheet date. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful revenue account in the year in which the settlement takes place.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported (“IBNR”) at the reporting date, using the link ratio method. This is based on management’s best estimates. The actual ultimate loss ratio may differ from the actual due to estimation uncertainties.

### **3.8 Retakaful**

The Company 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 Company 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.

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

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

### *Assumed retakaful risks*

The fund also assumes retakaful risk in the normal course of business for General Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

### **3.9 Participants' fund**

The participants' fund represents the accumulated surplus attributable to participants of the General Takaful Fund. The reserve from surpluses is distributable to participants in accordance with the terms and conditions prescribed by the Company.

### **3.10 Liability adequacy test**

The liability of the Company under takaful business is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of gross takaful contract provisions for unearned premiums and takaful claims. Where an expected shortfall is identified, additional provisions are made for unearned premiums or takaful claims and the deficiency is recognised in profit or loss.

### **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 Funds 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 the participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful funds as well as meet costs involved in managing the takaful business.

In carrying out its fiduciary duties, the Company must put in place sufficient measures to ensure the sustainability of the General Takaful Funds to meet takaful benefits and the Takaful Operator's fund to support the takaful certificates for the full term. These measures include the setting up of appropriate provisions for liabilities based on management's best estimates in the Takaful Operator's fund on behalf of participants in General Takaful Funds, to ensure that adequate funds are available to meet all contractual obligations and commitments as they fall due.

Unexpired wakalah fee ("UWF") represents the portion of unexpired period of wakalah fee at the end of the financial period. The UWF at the end of the financial period is calculated using the 1/24 method on wakalah fee for each takaful certificate underwritten.



#### *Expenses liability of General Takaful Fund*

Expenses liability is recognised in the Takaful Operator's fund. The method used to measure expenses liability is consistent with the method used to value takaful liabilities of the corresponding general takaful certificates. The Company classifies expenses liabilities as part of other payables.

### **3.12 Commission expenses**

The cost of acquiring and renewing takaful certificates net of income derived from ceding retakaful contribution, is recognised as incurred.

#### *Mudharabah policies*

Commission expenses are borne by the General Takaful funds with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Advisory Body.

#### *Wakalah policies*

Commission expenses are borne by the Takaful Operator's fund at an agreed percentage of the gross contribution. This is in accordance with the principles of Wakalah as approved by the Shariah Advisory body.

### **3.13 Wakalah fee**

The wakalah fee is income to the Takaful Operator and is charged to the General Takaful Funds and correspondingly recognised as an expense in the respective funds' profit or loss at an agreed percentage for each takaful certificate underwritten. This is in accordance with the principles of wakalah as approved by the Shariah Committee and is agreed between the participants and the Company.

Commission, acquisition costs and management expenses of the General Takaful Funds are borne by the Takaful Operator and included as a component of wakalah fee income.

Except for certain corporate takaful certificates where the contract rates are individually negotiated and agreed with the participants, the wakalah fee rate was as follows throughout the year:

Motor takaful	30% (2017: 30%)
Other General takaful	35% (2017: 35%)

### **3.14 Profit sharing contracts**

Al-Mudharabah is a contract (akad) of partnership between the owner of the asset/capital (Rabbul Mal) to surrender his/her capital to entrepreneurs (Mudharib) for business purposes, where the owner of the asset/capital (Rabbul Mal) gives full consent to the entrepreneur without any condition regarding the capital use. However, the entrepreneur is still responsible to manage the business according to the Uruf (normal practices or conventions) which does not contradict with Shariah principles.

Profits are shared in accordance to the profit sharing ratio. However, any capital loss is borne by the capital owner (Rabbul Mal) while the entrepreneur (Mudharib) does not receive any return on the efforts made.

The net surplus from general inwards retakaful is determined after deducting the reserve for provisions for claims IBNR and net claims incurred. The net surplus is distributable in accordance with terms and conditions prescribed by the Company.

The Company has stopped issuing Al-Mudharabah contracts in 2011.

### **3.15 Investment income**

Dividend income from investments is recognised when the right to receive payment has been established.

Gains and losses arising on disposals of investments are recognised as profit or loss.

### **3.16 Zakat**

This represents tithes payable by the Company to comply with the principles of Shariah and as approved by the Shariah Advisory Board.

### **3.17 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 OCI.

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 reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and effective profit rates may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of 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.

### 3.18 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

#### (i) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)*

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*: an overlay approach and a temporary exemption from applying IFRS 9.

The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the “Overlay Approach”); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2021 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

- a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and
- b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of financial statements:

- a) to understand how the insurer qualified for the temporary exemption; and
- b) to compare insurers applying the temporary exemption with entities applying IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once IFRS 17 becomes effective.

#### *Potential impact on the financial statements*

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Company's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under IFRS 9 is adopted.

The Company has decided that it will elect the temporary exemption in the amendments to IFRS 4 from applying IFRS 9 till IFRS 17 is effective. The Company will be able to perform a comprehensive assessment of the impact of both standards, taking into considerations the options available for the implementation of both standards together. The Company assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of IFRS 4 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is more than 90% of its total liabilities as at 31 December 2018.

The fair value information of the Company's directly held financial assets at 31 December 2018 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of IFRS 9, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 are shown in the table below, together with all other financial assets:

**Financial assets that pass  
the SPPI test, excluding any  
financial asset that meets  
the definition of held for  
trading or that is managed  
and evaluated on a fair  
value basis of IFRS 9**

	<b>Movement</b>		<b>All other financial assets</b>	
	<b>Fair value at 31 December 2018 BND'000</b>	<b>in the fair value during the year BND'000</b>	<b>Fair value at 31 December 2018 BND'000</b>	<b>Movement in the fair value during the year BND'000</b>
Cash and cash equivalents	–	–	164,508	–
Other receivables	–	–	5,193	–
<b>Total financial assets</b>	–	–	<b>169,701</b>	–

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of these financial assets, analysed on the same basis are as follows:

	<b>A+ to A- BND'000</b>	<b>Below BBB- or not rated BND'000</b>	<b>Total BND'000</b>
	<b>2018</b>		
Cash and cash equivalents	164,297	211	164,508
Other receivables	–	5,193	5,193
	<b>164,297</b>	<b>5,404</b>	<b>169,701</b>

Of the above financial assets, the fair values and carrying amounts of financial assets that do not have low credit risk at the end of the reporting period are as follow:

	<b>Fair value BND'000</b>	<b>Carrying amount BND'000</b>
<b>2018</b>		
Cash and cash equivalents	–	–
Other receivables	–	–
	–	–

**(ii) IFRS 15 Revenue from Contracts with customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company deems that revenue recognition for insurance contracts will fall under the scope of IFRS 17 Insurance Contracts which has been deferred for application until 1 January 2022.

**(iii) IFRS 16 Leases**

IFRS 16 was issued in January 2016 that specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

The Company deems that there is no material impact and no requirement to recognise the lessee accounting model given the terms and conditions of the current rental contracts in place.

**(iv) IFRS 17 Insurance Contracts**

IFRS 17 was issued in May 2017 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of IFRS 17 is to ensure that an entity provide relevant information that faithfully represents those contracts as a basis for users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows. It requires the use of discount rates, risk adjustments and introduces the concepts of contractual service margins ("CSM") in measuring contractual cash flows. In 2018, the International Accounting Standards Body ("IASB") proposed to defer the implementation of IFRS 17 by one year, therefore IFRS 17 tentatively applies to annual reporting periods beginning on or after 1 January 2022.

The Company is in the process of evaluating the potential effect of this standard.

#### 4 Segmental information

##### Statement of financial position As at 31 December

	<-----2018----->		<-----2017----->			
	Operator Fund BND'000	Participant Fund BND'000	Total BND'000	Operator Fund BND'000	Participant Fund BND'000	Total BND'000
<b>Assets</b>						
Other investments	20,183	—	20,183	10,316	—	10,316
Ceded share of takaful contract liabilities	—	32,812	32,812	—	36,021	36,021
Unexpired wakalah fees	—	8,128	8,128	—	7,450	7,450
Takaful receivables	—	2,290	2,290	—	1,802	1,802
Other receivables	(2,699)	5,602	2,903	(695)	3,882	3,187
Cash and cash equivalent	42,964	121,544	164,508	37,480	104,077	141,557
<b>Total assets</b>	<b>60,448</b>	<b>170,376</b>	<b>230,824</b>	<b>47,101</b>	<b>153,232</b>	<b>200,333</b>
<b>Liabilities</b>						
Takaful contract liabilities	—	112,445	112,445	—	111,504	111,504
Takaful payables	—	3,404	3,404	—	2,730	2,730
Other payables	7,001	2,375	9,376	6,858	1,741	8,599
Provision for zakat and taxation	820	—	820	550	—	550
<b>Total liabilities</b>	<b>7,821</b>	<b>118,224</b>	<b>126,045</b>	<b>7,408</b>	<b>115,975</b>	<b>123,383</b>
<b>Participants' fund</b>	<b>—</b>	<b>52,152</b>	<b>52,152</b>	<b>—</b>	<b>37,257</b>	<b>37,257</b>
<b>Equity</b>						
Share capital	11,421	—	11,421	11,421	—	11,421
Reserves	15,474	—	15,474	5,606	—	5,606
Retained earnings	25,732	—	25,732	22,666	—	22,666
<b>Total shareholders' equity</b>	<b>52,627</b>	<b>—</b>	<b>52,627</b>	<b>39,693</b>	<b>—</b>	<b>39,693</b>
<b>Total equity and liabilities</b>	<b>60,448</b>	<b>170,376</b>	<b>230,824</b>	<b>49,533</b>	<b>153,219</b>	<b>200,333</b>

#### 4 Segmental information (continued)

Statement of profit or loss Year ended 31 December	2018			2017		
	Operator Fund BND'000	Participant Fund BND'000	Total BND'000	Operator Fund BND'000	Participant Fund BND'000	Total BND'000
Gross takaful contributions	—	66,322	66,322	—	57,967	57,967
Contributions ceded to retakaful	—	(19,786)	(19,786)	—	(11,924)	(11,924)
Net takaful contributions	—	46,536	46,536	—	46,043	46,043
Change in unearned contribution reserves	—	(3,171)	(3,171)	—	(868)	(868)
Change in unearned contribution reserves ceded to retakaful	—	485	485	—	1,041	1,041
<b>Net earned contributions</b>	—	43,850	43,850	—	46,216	46,216
Gross claims paid	—	(22,416)	(22,416)	—	(21,272)	(21,272)
Claims paid ceded to retakaful	—	12,523	12,523	—	9,950	9,950
Gross change to claims liabilities	—	2,230	2,230	—	9,216	9,216
Change to claims liabilities ceded to retakaful	—	(3,728)	(3,728)	—	(10,396)	(10,396)
Net claims	—	(11,391)	(11,391)	—	(12,502)	(12,502)
Wakalah income/(expense)	16,494	(16,494)	—	15,819	(15,819)	—
Amortisation of unexpired wakalah fees	—	678	678	—	285	285
Takaful profit	16,494	16,643	33,137	15,819	18,180	33,999
Investment income	665	1,162	1,827	2,093	975	3,068
Other operating income	1,546	226	1,772	656	2,393	3,049
Other income	2,211	1,388	3,599	2,749	3,368	6,117
Personnel expenses	(3,328)	—	(3,328)	(3,288)	—	(3,288)
Change in expense reserves	(578)	—	(578)	168	—	168
Other operating expenses	(10,779)	(357)	(11,136)	(9,571)	289	(9,282)
Other expenses	(14,685)	(357)	(15,042)	(12,691)	289	12,402
(Profit) attributable to participants' fund	—	(17,674)	(17,674)	—	(21,837)	(21,837)
Profit before zakat and taxation	4,020	—	4,020	5,877	—	5,877
Zakat	—	—	—	—	—	—
Tax expense	(954)	—	(954)	337	—	337
Profit for the year	3,066	—	3,066	6,214	—	6,214



## 5 Other investments

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
<b>Available-for-sale</b>			
Sukuk	—	—	—
Equity securities	20,183	—	20,183
	<u>20,183</u>	<u>—</u>	<u>20,183</u>
<b>2017</b>			
<b>Available-for-sale</b>			
Sukuk	—	—	—
Equity securities	10,316	—	10,316
	<u>10,316</u>	<u>—</u>	<u>10,316</u>

The sukuk asset (available-for-sale) relates to a single sukuk exposure which was fully impaired since the prior year following the announcement of judicial management of the parent company which issued the sukuk and the subsequent default of sukuk coupon on 29<sup>th</sup> July 2016 and 2<sup>nd</sup> August 2016 respectively. Management has initiated legal proceedings for asset recovery and continues to deem the sukuk as impaired as at the current year end.

Included in equity securities are shares held in a related party of \$20,183,000 (2017: \$10,316,000).

Other investments are allocated as follows:

	<b>2018 BND'000</b>	<b>2017 BND'000</b>
Non-current	—	—
Current	20,183	10,316
	<u>20,183</u>	<u>10,316</u>

Information about the Company's exposures to credit and market risks, and fair value measurement, is included in note 22.

## 6 Takaful contract liabilities

	General Takaful Fund		
	Gross BND'000	Ceded share BND'000	Net BND'000
<b>2018</b>			
Unexpired risk reserves	34	60	94
Unearned contribution reserves	29,276	(4,121)	25,155
	<u>29,310</u>	<u>(4,061)</u>	<u>25,249</u>
Provision for outstanding claims			
- Outstanding claims	25,326	(4,923)	20,403
- Outstanding claims incurred but not reported (IBNR)	57,809	(23,828)	33,981
	<u>83,135</u>	<u>(28,751)</u>	<u>54,384</u>
	<u>112,445</u>	<u>(32,812)</u>	<u>79,633</u>
<b>2017</b>			
Unexpired risk reserves	43	83	126
Unearned contribution reserves	26,095	(3,659)	22,436
	<u>26,138</u>	<u>(3,576)</u>	<u>22,562</u>
Provision for outstanding claims			
- Outstanding claims	26,828	(12,718)	14,110
- Outstanding claims incurred but not reported (IBNR)	58,538	(19,727)	38,811
	<u>85,366</u>	<u>(32,445)</u>	<u>52,921</u>
	<u>111,504</u>	<u>(36,021)</u>	<u>75,483</u>

Unearned contribution reserves ("UCR") pertains to premium liabilities arising from takaful contracts. Unexpired risk reserves are required to cover the excess of UCR which has arisen from Energy and Aviation contracts during the year for the estimated future claims liabilities that are expected to emerge.

The movements in takaful contract provisions are as follows:

	General Takaful Fund		
	Gross BND'000	Ceded share BND'000	Net BND'000
<b>2018</b>			
<b>Unearned contribution reserves</b>			
At 1 January	26,095	(3,659)	22,436
Premiums written	66,322	(19,786)	46,536
Premiums earned	(63,141)	19,324	(43,817)
At 31 December	<u>29,276</u>	<u>(4,121)</u>	<u>25,155</u>
<b>Provision for outstanding claims</b>			
At 1 January	85,366	(32,445)	52,921
Claims (paid)/recovered	(22,416)	12,523	(9,893)
Claims incurred	20,185	(8,829)	11,356
At 31 December	<u>83,135</u>	<u>(28,751)</u>	<u>54,384</u>

	<b>Gross BND'000</b>	<b>Ceded share BND'000</b>	<b>Net BND'000</b>
<b>2017</b>			
<b>Unearned contribution reserves</b>			
At 1 January	25,270	(2,577)	22,693
Premiums written	57,967	(11,924)	46,043
Premiums earned	(57,142)	10,842	(46,300)
At 31 December	<u>26,095</u>	<u>(3,659)</u>	<u>22,436</u>
<b>Provision for outstanding claims</b>			
At 1 January	94,582	(40,038)	54,544
Claims (paid)/recovered	(21,272)	9,950	(11,322)
Claims incurred	12,056	(2,357)	9,699
At 31 December	<u>85,366</u>	<u>(32,445)</u>	<u>52,921</u>

The table below summarises the estimated duration profiles of the provision for outstanding claims.

	<b>General Takaful Fund</b>		
	<b>Gross BND'000</b>	<b>Ceded share BND'000</b>	<b>Net BND'000</b>
<b>2018</b>			
Due within one year	7,920	(613)	7,307
Due after one through three years	11,540	(2,645)	8,895
Due after three through five years	4,391	(919)	3,472
Due after five years	59,284	(24,574)	34,710
	<u>83,135</u>	<u>(28,751)</u>	<u>54,384</u>
<b>2017</b>			
Due within one year	5,097	(1,497)	3,600
Due after one through three years	14,421	(8,926)	5,495
Due after three through five years	5,155	(1,351)	3,804
Due after five years	60,693	(20,671)	40,022
	<u>85,366</u>	<u>(32,445)</u>	<u>52,921</u>

## 7 Unexpired wakalah fee

	<b>2018 BND'000</b>	<b>2017 BND'000</b>
<b>General Takaful Fund</b>		
As at 1 January	7,450	7,165
Wakalah fee paid during the year (note 15)	16,494	15,819
Amortisation of wakalah fee during the year	(15,816)	(15,534)
As at 31 December	<u>8,128</u>	<u>7,450</u>

Unexpired wakalah fee is current.

## 8 Takaful receivables

	<b>General Takaful Fund BND'000</b>
<b>2018</b>	
Amounts due from participants and brokers	2,290
Less: Allowances for doubtful receivables from participants and brokers	—
	2,290
<b>2017</b>	
Amounts due from participants and brokers	1,802
Less: Allowances for doubtful receivables from participants and brokers	—
	1,802

Takaful receivables are current and all amounts are due within one year.

The aging of takaful receivables and related allowance for doubtful receivables at the reporting date are as follows:

	2018			2017		
	Gross BND'000	Allowance BND'000	Net BND'000	Gross BND'000	Allowance BND'000	Net BND'000
Not due	—	—	—	—	—	—
Up to 6 months	2,290	—	2,290	1,802	—	1,802
Above 6 months but not exceeding 12 months	—	—	—	—	—	—
Above 12 months	—	—	—	—	—	—
	2,290	—	2,290	1,802	—	1,802

The above receivables have been individually assessed for impairment after considering information such as occurrence of significant changes in the counterparty's financial position, patterns at historical payment information and dispute with counterparties.

Based on historical default rates, the Company believes that no impairment allowance is necessary in respect of the takaful receivables not past due or past due up to 6 months, other than those where specific provisions have already been made in the accounts.

**9 Other receivables**

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Amount due from immediate holding			
Company (non-trade)	1,016	–	1,016
Qard receivables (note 14)	–	–	–
Other receivables	1	387	388
Accrued income	270	1,112	1,382
Deposits	93	–	93
Prepayments	24	–	24
	<u>1,404</u>	<u>1,499</u>	<u>2,903</u>
<b>2017</b>			
Amount due from immediate holding			
Company (non-trade)	1,408	–	1,408
Qard receivables (note 14)	–	–	–
Other receivables	–	513	513
Accrued income	184	937	1,121
Deposits	111	–	111
Prepayments	34	–	34
	<u>1,737</u>	<u>1,450</u>	<u>3,187</u>

Other receivables are current. The management believes that there is no significant credit risk in respect of other receivables as they are not material and all fall due within a year.

The amount due from the immediate holding company is unsecured, interest free and payable on demand. There is no allowance for doubtful debts arising from these receivables.

## 10 Cash and cash equivalents

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Cash and bank balances	8,442	7,144	15,586
Short term deposits	34,522	114,400	148,922
	<u>42,964</u>	<u>121,544</u>	<u>164,508</u>
<b>2017</b>			
Cash and bank balances	10,469	8,977	19,446
Short term deposits	27,011	95,100	122,111
	<u>37,480</u>	<u>104,077</u>	<u>141,557</u>

As at the reporting date, the carrying amounts of cash and bank balances approximate their fair value. All short term deposits are generally placed on short-term maturities of less than 3 months in duration or repayable on demand.

Restricted cash amounting to BND2 million is included in the current year's cash and cash equivalents balances above. Under section 16 of the Takaful Order, 2008 and Regulation 9(1) of the Takaful Regulations, 2008, the Company is required to maintain a deposit of BND1 million in favour of Autoriti Monetari Brunei Darussalam ("AMBD").

Under Section 4(1)(a) of the Motor Vehicle Takaful Third Party Risks Act, Chapter 90, the Company has pledged a deposit of BND\$1 million to secure a banker's guarantee in favour of AMBD.

## 11 Takaful payables

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Amount due to:			
- retakaful companies	—	3,404	3,404
		<u>3,404</u>	<u>3,404</u>
<b>2017</b>			
Amount due to:			
- retakaful companies	—	2,730	2,730
		<u>2,730</u>	<u>2,730</u>

Takaful payables are current. Takaful payables are non-interest bearing and are generally repayable within 60 days.

## 12 Other payables

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Advanced contributions from participants	–	709	709
Amount due to related companies (non-trade)	233	16	249
Accrued expenses	5,558	–	5,558
Other payables	1,210	1,650	2,860
	<u>7,001</u>	<u>2,375</u>	<u>9,376</u>
<b>2017</b>			
Advanced contributions from participants	–	546	546
Amount due to related companies (non-trade)	642	14	656
Accrued expenses	4,977	–	4,977
Other payables	1,239	1,181	2,420
	<u>6,858</u>	<u>1,741</u>	<u>8,599</u>

Other payables are all current.

## 13 Capital and reserves

	<b>2018 and 2017</b>	
	<b>Number of shares '000</b>	<b>Amount BND'000</b>
<b>Authorised</b>		
Ordinary shares of \$1 each	100,000	100,000
<b>Issued and fully paid up</b>		
Ordinary shares of \$1 each	11,421	11,421

### Ordinary shares

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Available-for-sale reserve

The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

	<b>2018 BND'000</b>	<b>2017 BND'000</b>
Available-for-sale reserve	15,474	5,606

**Dividends**

Subsequent to the year end, the directors recommended a final dividend of BND 0.05 per share to be declared by the Company for year ended 31 December 2018 (2017: BND 0.015 per share).

**14 Participants' fund**

Participants' fund balance at the reporting date comprises the following:

	<b>BND'000</b>
<b>2018</b>	
Unallocated surplus/accumulated surplus b/f	37,257
Profit attributable to takaful funds	17,674
Outright transfer from Operator's fund	=
Hibah paid to participants for the year	(3,219)
Reversal of expired liabilities	447
Other adjustments to tabarru	(7)
Movement in available for sale reserve attributable to participants	=
Net assets value attributable to unit holders c/f	52,152
<b>2017</b>	
Unallocated surplus/accumulated surplus b/f	18,025
Profit attributable to takaful funds	21,837
Outright transfer from Operator's fund	=
Hibah paid to participants for the year	(2,737)
Reversal of mudharabah payables	173
Reversal of expired liabilities	(20)
Other adjustments to tabarru	(21)
Movement in available for sale reserve attributable to participants	=
Net assets value attributable to unit holders c/f	37,257

The outright transfer of \$nil (2017: \$nil) arose in order to ensure compliance with solvency of the takaful funds as a result of the actuarial valuation undertaken.



**15 Wakalah fee**

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Wakalah income	16,494	–	16,494
Wakalah expense	–	(16,494)	(16,494)
	<u>16,494</u>	<u>(16,494)</u>	<u>–</u>
<b>2017</b>			
Wakalah income	15,819	–	15,819
Wakalah expense	–	(15,819)	(15,819)
	<u>15,819</u>	<u>(15,819)</u>	<u>–</u>

**16 Other operating income**

	<b>Takaful Operator BND'000</b>	<b>General Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2018</b>			
Other income	1,546	226	1,772
	<u>1,546</u>	<u>226</u>	<u>1,772</u>
<b>2017</b>			
Other income	656	2,393	3,049
	<u>656</u>	<u>2,393</u>	<u>3,049</u>

**17 Personnel expenses**

	<b>2018 BND'000</b>	<b>2017 BND'000</b>
Salaries and bonus	2,727	2,661
Contributions to defined contribution plans	212	203
Other personnel expenses	389	424
	<u>3,328</u>	<u>3,288</u>

## 18 Profit for the year

The following items have been included in arriving at profit for the year:

	2018 BND'000	2017 BND'000
Agent commissions	5,805	4,780
Contribution debtors written off	459	888
Legal, professional and audit fees	69	111
Provision for doubtful retakaful debtors	66	782
Outright transfer to takaful fund	-	-
Recovery of doubtful retakaful debtors	(82)	(3,009)
Recovery of contribution debtors	(185)	(628)
	<u>5,805</u>	<u>4,780</u>

## 19 Tax and zakat expenses

	2018 BND'000	2017 BND'000
<b>Tax recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current year	820	550
Adjustment for prior years	134	(887)
	<u>954</u>	<u>(337)</u>
<b>Total tax expense/(income)</b>	<u>954</u>	<u>(337)</u>

A reconciliation of effective tax expense for the Company are as follows:

	2018 BND'000	2017 BND'000
Profit before zakat and taxation	<u>4,020</u>	<u>5,877</u>
Income tax using the domestic corporate tax rate of 18.5% (2017: 18.5%)	744	1,087
Others	210	(1,424)
	<u>954</u>	<u>(337)</u>

The amount of zakat is calculated on the net current assets of the shareholders' fund, and is payable by the Company in accordance with the principles of Shariah. There was a change in ownership of the immediate holding company to a charitable foundation on 12 December 2013. Consequently, the Company is exempted from paying zakat in accordance with AAIIOIFI Shariah standard no (35) ruling 3/1/6 and 3/1/7. All future zakat of the Company, if applicable, will be paid on behalf by a related party as the results of the Company are further consolidated into a larger group.

Subject to agreement by the Tax Authority, the Company has applied for a refund of Income Tax relating to Year of Assessment 2013 and 2014 (Years ended 31 December 2012 and 2013 respectively) amounting to \$2,102,000 as a result of the effect of the application of International Financial Reporting Standards (“IFRS”) as required by the Regulator in 2014.

## 20 Significant related party transactions

### *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 key management personnel include all the directors of the Company and certain senior management members of the Company.

Key management personnel compensation comprised:

	<b>2018</b>	<b>2017</b>
	<b>BND'000</b>	<b>BND'000</b>
<b>Short-term employee benefits</b>		
Directors' fees and other remuneration	4	6
Other key management personnel:		
- Salary and employee benefits	544	516
	<hr/>	<hr/>

### *Other related party transactions*

The immediate holding company is Syarikat Takaful Brunei Darussalam, an investment holding company. The Company is an associate of Bank Islam Brunei Darussalam via its immediate holding company, and has significant related party transactions with Bank Islam Brunei Darussalam and its subsidiaries. Bank Islam Brunei Darussalam is a parent company into which the financial results of the Company are ultimately consolidated and publicly made available.

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:

	<b>2018</b>	<b>2017</b>
	<b>BND'000</b>	<b>BND'000</b>
Shareholder		
- Service fees	—	41
- Commission and fees paid/ payable	106	80
	<hr/>	<hr/>

All short term deposits at respective year ends are held with related parties (note 10). Management fees of \$3,429,000 (2017: \$3,193,000) were paid to immediate holding company during the year.

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.

## 21 Takaful risk management

The risk under any one takaful contract is the possibility that the takaful 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 such as the increase in the number of cases being heard in the 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, retakaful arrangements and claims handling process.

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.

### **General Takaful Fund**

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

The key coverage for the General Takaful contracts consist of motor, energy, aviation, fire, marine hull and cargo, personal accident, workmen's compensation and employers' liability, professional indemnity, engineering and others.

*Concentration of General Takaful risk*

The table below sets out the concentration of general takaful gross concentration by type of business:

	<b>Gross BND'000</b>	<b>Ceded share BND'000</b>	<b>Net BND'000</b>
<b>General Takaful Fund</b>			
<b>2018</b>			
Motor	41,403	(4,434)	36,969
Energy	10,275	(10,042)	233
Fire	3,985	(1,430)	2,555
Liability	2,809	(716)	2,093
Miscellaneous	7,850	(3,164)	4,686
	<u>66,322</u>	<u>(19,786)</u>	<u>46,536</u>
<b>2017</b>			
Motor	39,072	(2,773)	36,299
Energy	3,842	(3,700)	142
Fire	3,813	(1,046)	2,767
Liability	2,561	(751)	1,810
Miscellaneous	8,679	(3,654)	5,025
	<u>57,967</u>	<u>(11,924)</u>	<u>46,043</u>

There is no concentration of takaful risk at the Company level by customer.

*Key assumptions*

The provision for takaful liabilities is in accordance with widely accepted actuarial valuation methods. The key actuarial projection method used is:

Incurred Bornheutter – Ferguson (“BF”)

The BF method is an extension of the Link Ratio method. Where claims development for recent years can be unreliable for some classes of business, we have incorporated an adopted Ultimate Loss Ratio (‘ULR’) into the projection and where appropriate, taken into consideration historical experience and claims incurred to date. We have used the BF method on an incurred claims basis for our final estimates for all classes of business.

The key assumptions underlying the estimation of liabilities is that the Company’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.

Effective from 1 January 2015, in the letter reference AMBDRS/TIU/P/25 dated 8 January 2016, the regulator AMBD specified that the valuation of the takaful contract liabilities is to be based upon management’s current best estimate and to include a Risk Margin for Adversc Deviation (PAD). The effect of the change in the assumption, while holding other assumptions constant, resulted in an increase of \$10,379,000 (2017: \$10,865,000) in takaful contract liabilities.

Other key circumstances affecting the reliability of assumptions include delays in settlement and changes in foreign currency rates.

*Sensitivities*

The General Takaful claim liabilities are sensitive to the above key assumptions and change in these assumptions may impact the liabilities of the General Takaful Fund significantly.

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities as at 31 December 2018, inclusive of the provision for adverse deviation (refer to “base scenario” in the sensitivity analysis table)

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities. In reality, there are possibilities that a combination of adverse and favourable changes could arise. The sensitivities cannot capture all possible outcomes.

Management has assumed that that all retakaful recoveries are receivable in full. Sensitivity analysis was not performed for inflation and changes in investment rates as these are not material and will not impact the portfolio significantly.

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

- Ultimate Loss Ratio;
- Maintenance Expense Rate; and
- Provision for Adverse Deviation (“PAD”)

<b>2018</b>	<b>BND'000</b>	<b>BND'000</b>
<b>Net claim liabilities</b>		
Base scenario	<b>47,768</b>	<b>47,768</b>
	Change in assumptions	
	+10% points	-10% points
<u>Assumptions</u>		
Ultimate Loss Ratio	64,757	41,300
Maintenance Expense Rate	47,768	47,768
Provision for Adverse Deviation	47,768	47,768

<b>2017</b>	<b>BND'000</b>	<b>BND'000</b>
<b>Net claim liabilities</b>		
Base scenario	<b>45,386</b>	<b>45,386</b>
	Change in assumptions	
	+10% points	-10% points
<u>Assumptions</u>		
Ultimate Loss Ratio	61,158	38,166
Maintenance Expense Rate	45,386	45,386
Provision for Adverse Deviation	45,386	45,386

*Claims development*

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of reporting period, together with cumulative payments to-date.

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

**Analysis of claims development – gross basis**  
**Gross loss development tables as at 31 December 2018**

Accident Year	2009 & Prior BND'000	2010 BND'000	2011 BND'000	2012 BND'000	2013 BND'000	2014 BND'000	2015 BND'000	2016 BND'000	2017 BND'000	2018 BND'000	Total BND'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	–	–	–	–	27,730	26,118	27,494	39,912	26,144	27,262	
One year later	–	–	–	27,082	25,969	24,402	45,044	33,863	26,925	–	
Two years later	–	–	28,653	25,487	22,381	29,892	42,606	35,347	–	–	
Three years later	–	21,701	29,298	26,940	23,814	23,778	39,567	–	–	–	
Four years later	53,935	22,319	30,903	25,981	24,127	21,583	–	–	–	–	
Five years later	52,399	19,223	32,023	25,516	22,627	–	–	–	–	–	
Six years later	49,200	18,765	33,864	23,554	–	–	–	–	–	–	
Seven years later	44,585	19,261	33,906	–	–	–	–	–	–	–	
Eight years later	45,103	19,328	–	–	–	–	–	–	–	–	
Nine years later	44,447	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
<b>Estimate of ultimate claims cost</b>	<b>44,447</b>	<b>19,328</b>	<b>33,906</b>	<b>23,554</b>	<b>22,627</b>	<b>21,583</b>	<b>39,567</b>	<b>35,347</b>	<b>26,925</b>	<b>27,262</b>	<b>294,546</b>
<b>Cumulative payments</b>	<b>43,798</b>	<b>18,708</b>	<b>31,524</b>	<b>21,074</b>	<b>20,857</b>	<b>17,617</b>	<b>32,284</b>	<b>11,682</b>	<b>15,529</b>	<b>8,717</b>	<b>221,791</b>
<b>Undiscounted outstanding claim liabilities</b>	<b>649</b>	<b>620</b>	<b>2,382</b>	<b>2,480</b>	<b>1,770</b>	<b>3,966</b>	<b>7,283</b>	<b>23,665</b>	<b>11,396</b>	<b>18,545</b>	<b>72,756</b>
Provision for adverse deviation	116	91	357	364	249	570	1,023	3,311	1,643	2,655	10,379
<b>Outstanding claim liabilities</b>	<b>765</b>	<b>711</b>	<b>2,739</b>	<b>2,844</b>	<b>2,019</b>	<b>4,536</b>	<b>8,306</b>	<b>26,976</b>	<b>13,039</b>	<b>21,200</b>	<b>83,135</b>
<b>Gross claim liabilities</b>											<b>83,135</b>



**Analysis of claims development – net basis  
Net loss development tables as at 31 December 2018**

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	& Prior BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	—	—	—	—	23,806	25,789	25,521	24,303	22,316	20,591	
One year later	—	—	—	26,501	22,072	22,721	25,672	19,498	19,364	—	
Two years later	—	—	24,181	24,318	19,634	22,064	23,078	19,529	—	—	
Three years later	—	21,003	24,017	23,208	17,824	20,426	21,589	—	—	—	
Four years later	45,628	21,169	24,542	22,884	16,569	19,149	—	—	—	—	
Five years later	42,550	18,355	24,421	19,582	15,540	—	—	—	—	—	
Six years later	42,011	17,760	23,290	17,884	—	—	—	—	—	—	
Seven years later	41,312	17,292	22,751	—	—	—	—	—	—	—	
Eight years later	41,396	17,617	—	—	—	—	—	—	—	—	
Nine years later	41,595	—	—	—	—	—	—	—	—	—	
Ten years later	—	—	—	—	—	—	—	—	—	—	
<b>Estimate of ultimate claims cost</b>	<b>41,595</b>	<b>17,617</b>	<b>22,751</b>	<b>17,884</b>	<b>15,540</b>	<b>19,149</b>	<b>21,589</b>	<b>19,529</b>	<b>19,364</b>	<b>20,591</b>	<b>215,609</b>
<b>Cumulative payments</b>	<b>41,410</b>	<b>17,452</b>	<b>21,561</b>	<b>16,115</b>	<b>14,250</b>	<b>16,082</b>	<b>16,172</b>	<b>3,271</b>	<b>12,048</b>	<b>9,478</b>	<b>167,839</b>
<b>Undiscounted outstanding claim liabilities</b>	<b>185</b>	<b>165</b>	<b>1,190</b>	<b>1,769</b>	<b>1,290</b>	<b>3,067</b>	<b>5,417</b>	<b>16,258</b>	<b>7,316</b>	<b>11,113</b>	<b>47,770</b>
Provision for adverse deviation	35	24	170	251	182	425	732	2,219	1,024	1,552	6,614
<b>Outstanding claim liabilities</b>	<b>220</b>	<b>189</b>	<b>1,360</b>	<b>2,020</b>	<b>1,472</b>	<b>3,492</b>	<b>6,149</b>	<b>18,477</b>	<b>8,340</b>	<b>12,665</b>	<b>54,384</b>
<b>Net claim liabilities</b>											<b>54,384</b>

Analysis of claims development – gross basis  
Gross loss development tables as at 31 December 2017

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>												
At end of accident year	–	–	–	–	–	–	27,730	26,118	27,494	39,912	26,144	
One year later	–	–	–	–	–	27,082	25,969	24,402	45,044	33,863	–	
Two years later	–	–	–	–	28,653	25,487	22,381	29,892	42,606	–	–	
Three years later	–	–	–	21,701	29,298	26,940	23,814	23,778	–	–	–	
Four years later	–	–	26,273	22,319	30,903	25,981	24,263	–	–	–	–	
Five years later	–	18,549	23,874	19,223	32,023	25,516	–	–	–	–	–	
Six years later	9,113	19,422	20,947	18,765	34,001	–	–	–	–	–	–	
Seven years later	9,104	19,624	19,850	19,261	–	–	–	–	–	–	–	
Eight years later	8,629	17,487	20,206	–	–	–	–	–	–	–	–	
Nine years later	7,248	17,589	–	–	–	–	–	–	–	–	–	
Ten years later	7,632	–	–	–	–	–	–	–	–	–	–	
<b>Estimate of ultimate claims cost</b>	<b>7,632</b>	<b>17,589</b>	<b>20,206</b>	<b>19,261</b>	<b>34,001</b>	<b>25,516</b>	<b>24,263</b>	<b>23,778</b>	<b>42,606</b>	<b>33,863</b>	<b>26,144</b>	<b>274,859</b>
<b>Cumulative payments</b>	<b>7,429</b>	<b>16,487</b>	<b>19,354</b>	<b>18,512</b>	<b>29,569</b>	<b>20,876</b>	<b>20,701</b>	<b>16,031</b>	<b>31,726</b>	<b>11,305</b>	<b>8,369</b>	<b>200,359</b>
<b>Undiscounted outstanding claim liabilities</b>	<b>203</b>	<b>1,102</b>	<b>852</b>	<b>749</b>	<b>4,432</b>	<b>4,640</b>	<b>3,562</b>	<b>7,747</b>	<b>10,880</b>	<b>22,558</b>	<b>17,775</b>	<b>74,500</b>
Provision for adverse deviation	35	195	209	128	741	743	556	1,214	1,500	2,908	2,636	10,865
<b>Outstanding claim liabilities</b>	<b>238</b>	<b>1,297</b>	<b>1,061</b>	<b>877</b>	<b>5,173</b>	<b>5,383</b>	<b>4,118</b>	<b>8,961</b>	<b>12,380</b>	<b>25,466</b>	<b>20,411</b>	<b>85,365</b>
<b>Gross claim liabilities</b>												<b>85,365</b>

Analysis of claims development – net basis  
Net loss development tables as at 31 December 2017

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>												
At end of accident year	–	–	–	–	–	–	23,806	25,789	25,521	24,303	22,316	
One year later	–	–	–	–	–	26,501	22,072	22,721	25,672	19,498	–	
Two years later	–	–	–	–	24,181	24,318	19,634	22,064	23,078	–	–	
Three years later	–	–	–	21,003	24,017	23,208	17,824	20,426	–	–	–	
Four years later	–	–	21,797	21,169	24,542	22,884	16,569	–	–	–	–	
Five years later	–	15,698	19,029	18,355	24,421	19,582	–	–	–	–	–	
Six years later	8,133	15,863	18,651	17,760	23,290	–	–	–	–	–	–	
Seven years later	7,658	15,632	17,891	17,292	–	–	–	–	–	–	–	
Eight years later	7,728	16,403	17,814	–	–	–	–	–	–	–	–	
Nine years later	7,017	16,597	–	–	–	–	–	–	–	–	–	
Ten years later	6,971	–	–	–	–	–	–	–	–	–	–	
<b>Estimate of ultimate claims cost</b>	<b>6,971</b>	<b>16,597</b>	<b>17,814</b>	<b>17,292</b>	<b>23,290</b>	<b>19,582</b>	<b>16,569</b>	<b>20,426</b>	<b>23,078</b>	<b>19,498</b>	<b>22,316</b>	<b>203,433</b>
<b>Cumulative payments</b>	<b>6,835</b>	<b>15,645</b>	<b>17,485</b>	<b>17,039</b>	<b>21,103</b>	<b>15,930</b>	<b>13,855</b>	<b>14,556</b>	<b>16,335</b>	<b>10,918</b>	<b>8,345</b>	<b>158,046</b>
<b>Undiscounted outstanding claim liabilities</b>	<b>136</b>	<b>952</b>	<b>329</b>	<b>253</b>	<b>2,187</b>	<b>3,652</b>	<b>2,714</b>	<b>5,870</b>	<b>6,743</b>	<b>8,580</b>	<b>13,971</b>	<b>45,387</b>
Provision for adverse deviation	23	171	79	43	392	639	463	1,012	993	1,408	2,310	7,533
<b>Outstanding claim liabilities</b>	<b>159</b>	<b>1,123</b>	<b>408</b>	<b>296</b>	<b>2,579</b>	<b>4,291</b>	<b>3,177</b>	<b>6,882</b>	<b>7,736</b>	<b>9,988</b>	<b>16,281</b>	<b>52,920</b>
<b>Net claim liabilities</b>												<b>52,920</b>

## 22 Financial risk management

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

### a) 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 sukuk, short-term and other investments are subject to credit risk. This risk is defined as the potential loss resulting from adverse changes in a borrower's ability to repay the debt. 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 ongoing 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 held short term deposits of \$164,508,000 at 31 December 2018 (31 December 2017: \$141,557,000) which represents its maximum credit exposures on these assets. The cash and cash equivalents are held with a related financial institution counterparty which is rated A- (2017: A-).

#### *Credit exposure*

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of takaful receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each retakaful operators at any time is also dependent on the claims recoverable from such retakaful operator at that point in time.

#### *Credit exposure by credit quality*

As at 31 December 2018 and 31 December 2017, none of the Company's investments were rated by an external ratings agency.

#### *Aging analysis of financial assets*

See note 8 for aging analysis of takaful receivables at the end of the reporting period.

***Offsetting financial assets and financial liabilities***

No financial instruments are offset in the statement of financial position as there are no enforceable master netting agreements and similar arrangements in place.

**b) 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 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 Company 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.

**c) Market risk**

Market risk is the risk of change in fair value of financial instruments from fluctuation in market profit rates (profit rate risk) and foreign exchange rates (foreign currency 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) Profit rate risk**

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

The Company is exposed to profit rate risk primarily through their investments in fixed income securities and deposit placements. These instruments are fixed rate and held at amortised cost. Therefore, a change in profit rates at the reporting date would not affect profit or loss.

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

While the Company's cash and cash equivalents earn a nominal profit sum, this does not represent a significant concentration of profit rate risk. 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 sukuk. As a result, the Company is exposed to movements in foreign currency exchange rates.

The Company operates solely in Brunei, with a significant majority of its takaful liabilities and its financial assets denominated in Brunei Dollars.

The Company mitigates the potential currency risks arising from its investment in financial assets through hedging. The Company uses forward contracts 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 Company's exposure to foreign currencies is not significant.

**iii) Price risk**

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

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

*Estimation of fair values*

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

*Investments*

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

*Other financial assets and liabilities*

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

**Accounting classifications and fair values**

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

	Carrying amount			Fair value						
	FVTPL BND'000	Held to maturity BND'000	Financing and Advances BND'000	Available- for-sale BND'000	Other financial liabilities BND'000	Total BND'000	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
<b>2018</b>										
<b>Financial assets measured at fair value</b>										
Other investments	-	-	-	20,183	-	20,183	-	-	20,183	20,183
	-	-	-	20,183	-	20,183	-	-	20,183	20,183
<b>Financial assets not measured at fair value</b>										
Other receivables	-	-	2,903	-	-	2,903	-	-	-	2,903
Cash and cash equivalents	164,508	-	-	-	-	164,508	-	-	-	164,508
	164,508	-	2,903	-	-	167,411	-	-	-	167,411
<b>Financial liabilities not measured at fair value</b>										
Other payables	-	-	-	-	9,357	9,357	-	-	-	9,357

	Carrying amount				Fair value					
	FVTPL BND'000	Held to maturity BND'000	Financing and Advances BND'000	Available- for-sale BND'000	Other financial liabilities BND'000	Total BND'000	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
<b>2017</b>										
<b>Financial assets measured at fair value</b>										
Other investments	-	-	-	10,316	-	10,316	-	-	10,316	10,316
	-	-	-	10,316	-	10,316	-	-	10,316	10,316
<b>Financial assets not measured at fair value</b>										
Other receivables	-	-	3,187	-	-	3,187	-	-	-	3,187
Cash and cash equivalents	141,557	-	-	-	-	141,557	-	-	-	141,557
	141,557	-	3,187	-	-	144,744	-	-	-	144,744
<b>Financial liabilities not measured at fair value</b>										
Other payables	-	-	-	-	8,599	-	-	-	-	8,599



**iv) Level 3 fair value measurements**

**a) Reconciliation**

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

<b>2018</b>	<b>Equities BND'000</b>	<b>Total BND '000</b>
Balance at 1 January	10,316	10,316
Total gains or losses in OCI	9,867	9,867
Balance at 31 December	<u>20,183</u>	<u>20,183</u>
<b>2017</b>		
Balance at 1 January	10,316	10,316
Capital repayment	(2,018)	(2,018)
Total gains or losses in OCI	2,018	2,018
Balance at 31 December	<u>10,316</u>	<u>10,316</u>

**b) Unobservable inputs used in measuring fair value**

The following table sets out information about significant unobservable inputs used at 31 December 2018 and 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

<b>Type of financial instrument</b>	<b>Fair value at 31 December 2018 BND'000</b>	<b>Significant unobservable input</b>
Equity shares	20,183	Last traded price

The Company believes that the estimates of fair value of the equity shares are appropriate despite the lack of an observable actively traded market price for the shares.

On 27 October 2017, a capital repayment of \$0.30 per share amounting to a total of \$2,018,000 was received by the Company.

Subsequent to the year end, on 10 January 2019, an allotment of 1000 shares were sold for \$3.00 per share amounting to a total of \$3,000. Management believes that this provides further evidence that the equity shares held by the Company retains its fair value as at the reporting date.

**d) Capital management**

The Company reviews its capital structure to ensure that it will be able to continue as a going concern and complies with regulators' Margin of Solvency. The capital structure of the Company comprises of share capital, investment revaluation reserves and retained earnings.

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

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

In addition to the above, management has included a Risk Margin for Adverse Deviation ("PRAD") in the valuation of Takaful contract liabilities in accordance with prudential requirements specified by the regulator AMBD, effective since the year ended 31 December 2015.

The Company was in compliance (2017: in compliance) with the prescribed margin of solvency for the participants' funds as well as the takaful operator fund throughout the year.

There were no significant changes in the Company's approach to capital management during the year.