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TAKAFUL BRUNEI KELUARGA SDN BHD
(Incorporated in Brunei Darussalam)
Registration Number: RC00005153

Annual Report
Year ended 31 December 2019

TAKAFUL BRUNEI KELUARGA 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 2019.

PRINCIPAL ACTIVITIES

The principal activity of Takaful Brunei Keluarga Sdn Bhd (the "Company") is to underwrite family takaful business as allowed under the Takaful Order, 2008 and Shariah principles.

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

RESULTS

	BND'000
Retained earnings at the beginning of the year	10,051
Profit for the year	1,822
Dividends paid	(400)
Retained earnings at the end of the year	11,473

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 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended 31 December 2019.

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 by the Company during the year were as follows:

	BND'000
In respect of the financial years 2016 and 2017 Final dividend of BND$0.015 per ordinary share	240
In respect of the financial years ended 31 December 2018: Final dividend of BND$0.02 per ordinary share	160

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2019 of BND$0.02 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 Haji Amin Liew bin Abdullah (Chairman)	(appointed 30 July 2018)
Yang Mulia Dato Seri Setia Awang Haji Mohammad 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	

AUDITORS

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

ON BEHALF OF THE BOARD

Yang Berhormat Dato Seri Setia Dr Haji Amin Liew bin Abdullah (Chairman)	Yang Mulia Awang Haji Shahrildin bin Pehin Orang Kaya Lela Utama Dato Paduka Haji Jaya (Managing Director)

Brunei Darussalam
Date: 26 MAR 2020

REPORT OF THE SHARIAH ADVISORY BODY

بسم الله الرحمن الرحيم

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

To The Shareholders of Takaful Brunei Keluarga Sdn Bhd

السلام عليكم ورحمة الله وبركاته

To fulfill the terms of our appointment and in our capacity as members of Takaful Brunei Keluarga 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 Keluarga Sdn Bhd during the year ended 31 December 2019. We have also conducted our review to form an opinion as to whether Takaful Brunei Keluarga Sdn Bhd has complied with Shariah Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us.

Takaful Brunei Keluarga 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 Keluarga 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 Keluarga 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 Keluarga Sdn Bhd has not violated Shariah Rules and Principles.

In our opinion:

a) The contracts, transactions and dealings entered into by Takaful Brunei Keluarga Sdn Bhd during the financial period ending 31 December 2019 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. Aamin.

والله ولى 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 Haji Mazanan bin Haji Yusof
(Member)

Date: 26 MAR 2020

At

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

كي . ڤي . عيم . جي

KPMG
Unit 401- 403A, Wisma Jaya
Jalan Pemancha
Bandar Seri Begawan BS8811
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Independent Auditors' Report

To the Shareholders of Takaful Brunei Keluarga Sdn Bhd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Takaful Brunei Keluarga Sdn Bhd ("the Company"), which comprise the statement of financial position of the Company as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 ('the Act') and International Financial Reporting Standards ('IFRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

KPMG

KPMG
Certified Public Accountants

Amy Tan Nga Mee
Public Accountant

Brunei Darussalam
Date: 26 MAR 2020

Financial statements
Contents

Statement of financial position
As at 31 December 2019

	Note	2019 BND'000	2018 BND'000
Assets			
Property and equipment	5	508	–
Balances with Autoriti Monetari Brunei Darussalam	6	1,000	–
Other investments	7	14,937	14,938
Ceded share of takaful contract liabilities	8	281	336
Unexpired wakalah fees	9	601	610
Takaful receivables	10	623	484
Other receivables	11	1,072	710
Cash and cash equivalents	12	102,883	97,329
Total assets		121,905	114,407
Liabilities			
Takaful contract liabilities	8	37,035	37,073
Takaful payables	13	988	793
Other payables	14	6,960	7,274
Lease liabilities	15	526	–
Provision for zakat and taxation		299	275
Total liabilities		45,808	45,415
Participants' fund	17	51,554	45,869
Equity			
Share capital	16	8,000	8,000
Reserves	16	5,070	5,072
Retained earnings		11,473	10,051
Total shareholders' equity		24,543	23,123
Total equity and liabilities		121,905	114,407

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

Statement of profit or loss
Year ended 31 December 2019

	Note	2019 BND'000	2018 BND'000
Gross takaful contributions	8	19,428	18,690
Contributions ceded to retakaful	8	(845)	(652)
Net takaful contributions		18,583	18,038
Change in unearned contribution reserves		457	(179)
Change in unearned contribution reserves ceded to retakaful		(7)	(8)
Net movement in unearned contribution reserves		450	(187)
Net earned contributions		19,033	17,851
Wakalah income	18	6,209	5,834
Gross claims paid	8	(7,800)	(8,761)
Claims paid ceded to retakaful	8	156	138
Gross change to claims liabilities		(325)	269
Change to claims liabilities ceded to retakaful		(48)	78
Net claims		(8,017)	(8,276)
Wakalah expense	18	(6,209)	(5,834)
Amortisation of unexpired wakalah fees		(9)	71
Takaful profit		11,007	9,646
Investment income		1,745	1,286
Other operating income	19	20	18
Other income		1,765	1,304
Personnel expenses	20	(1,246)	(1,437)
Change in expense reserves		333	(240)
Finance costs	15	(36)	–
Other operating expenses		(4,140)	(3,749)
Other expenses		(5,089)	(5,426)
(Profit) attributable to participants' fund	17	(5,706)	(4,401)
Profit before zakat and taxation		1,977	1,123
Zakat	22	–	–
Tax expense	22	(155)	(350)
Profit for the year	21	1,822	773

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

Statement of comprehensive income
Year ended 31 December 2019

	Note	2019 BND'000	2018 BND'000
Profit for the year	21	1,822	773
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(2)	7,304
Net change in fair value of available-for-sale financial assets attributable to participants funds	17	–	(3,093)
Total comprehensive income for the year		1,820	4,984

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

Statement of changes in equity
Year ended 31 December 2019

		Attributable to the owners of the Company			
	Note	Share capital BND'000	Fair value reserve BND'000	Retained earnings BND'000	Total BND'000
At 1 January 2018		8,000	861	9,278	18,139
Total comprehensive income for the year					
Profit for the year		–	–	773	773
Other comprehensive income					
Change in fair value of available-for-sale financial assets, net of tax		–	4,211	–	4,211
Total other comprehensive income		–	4,211	–	4,211
Total comprehensive income for the year		–	4,211	773	4,984
At 31 December 2018/ At 1 January 2019		8,000	5,072	10,051	23,123
Total comprehensive income for the year					
Profit for the year		–	–	1,822	1,822
Other comprehensive income					
Change in fair value of available-for-sale financial assets, net of tax		–	(2)	–	(2)
Total other comprehensive income		–	(2)	–	(2)
Total comprehensive income for the year		–	(2)	1,822	1,820
Contributions by and distributions to owners					
Dividends paid on ordinary shares		–	–	(400)	(400)
At 31 December 2019		8,000	5,070	11,473	24,543

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

Statement of cash flows
Year ended 31 December 2019

	Note	2019 BND'000	2018 BND'000
Cash flows from operating activities			
Profit for the year		1,822	773
Adjustments for:			
Dividend income		(606)	(253)
Finance costs	15	36	–
Tax expense	22	155	350
Decrease in fair value of other investments		(2)	–
Gain on investments		(2)	–
Depreciation	5	90	–
		1,493	870
Changes in:			
Takaful and other receivables		(501)	(140)
Takaful and other payables		(119)	22
Balances with Autoriti Monetari Brunei Darussalam		(1,000)	–
Takaful contract liabilities		26	(228)
Participants' funds		5,685	4,342
Cash generated from operations		5,584	4,866
Income tax paid		(131)	(275)
Net cash from operating activities		5,453	4,591
Cash flows from investing activities			
Dividend received		606	253
Proceeds from sale/maturity of other investments		3	3,402
Net cash from investing activities		609	3,655
Cash flows from financing activities			
Finance costs on lease paid	15	(36)	–
Payment of lease liabilities	15	(72)	–
Dividends paid		(400)	–
Net cash used in financing activities		(508)	–
Net increase in cash and cash equivalents		5,554	8,246
Cash and cash equivalents at 1 January		97,329	89,083
Cash and cash equivalents at 31 December	12	102,883	97,329

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 26 March 2020.

1 Domicile and activities

Takaful Brunei Keluarga 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:

8th 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 2019 do not include other entities.

The principal activities of the Company are to manage and underwrite family 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 International Financial Reporting Standards ("IFRS").

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 Family 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 Family Takaful Fund include only the assets, liabilities, income and expenses of the Family Takaful Fund that is set up, managed and controlled by the Takaful Operator.

This is the first set of the Company's annual financial statement in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 3.20.

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 presented 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 IFRS 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 24 – 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, except as explained in note 3.20, which addresses changes in accounting policies.

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates 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. Directly 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 Company's treasury department 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 initially measured 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, balances with Autoriti Monetari Brunei Darussalam and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents.

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 other payables and lease liabilities.

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 Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

The estimated useful lives for the current and comparative years are as follows:

Right-of-use of assets	according to the contract lease period

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

3.4 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately and the impact of changes is disclosed in Note 3.20.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

i. As a lessee

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of property in which it is a lessee, the Company has elected not to separate the non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payment, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' and lease liabilities in 'loans and borrowing' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight–line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - The purchaser had the ability or right to operate the asset while obtaining or controlling move than an insignificant amount of the output;
    - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payment over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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

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

3.6 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.

3.7 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.

3.8 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 Family Takaful Funds (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.

3.9 Family Takaful Fund

The Family Takaful Fund is maintained in accordance with 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 net surplus for the Company and individual family takaful is determined after taking into account unearned contributions, retakaful, claims incurred, wakalah fees, commissions and miscellaneous expenses.

The net surplus from family inwards retakaful is determined after deducting the reserve for provisions for claims incurred but not reported ("IBNR") and net claims incurred.

(i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Inward retakaful contributions are recognised on the basis of periodic advances received from 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 contributions reserve ("UCR") of Takaful Family Fund 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 UCR at the end of each reporting date is calculated using the 1/365 (2018:1/24) method on written contribution for family takaful business.

(iii) Provision for outstanding claims

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the Company is notified. Claims and provisions for claims arising on individual family takaful certificates, including settlement costs, are accounted for using the gross premium valuation method where the liability is calculated as the present value of future benefits less the present value of future contributions.

The family takaful certificates are accounted for using the link ratio method by analysing the available past claims experience for each plan in order to detect patterns from which the future payments on outstanding claims and settlement costs can be estimated. For this purpose, the benefits payable under a family takaful certificate are recognised as follows:

(a) maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates;

(b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered; and

(c) provision is made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the reporting date, using a mathematical method of estimation where historical claims experience are used to project future claims. This is based on management's best estimates. As with all projections, there are elements of uncertainty and the projected claim may be different from actual.

3.10 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 Family 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 Family 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 Family Takaful contracts when applicable.

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

3.11 Participants' fund

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

3.12 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.

3.13 Expenses liability

The contract underlying takaful operations defines a unique relationship between the Takaful Operator and participants of a takaful scheme. While the Family 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 Family 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 Family 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 Family 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 family takaful certificate.

The Company classifies expenses liabilities as part of other payables.

3.14 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 Family 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 Shareholders' 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.

3.15 Wakalah fee

The wakalah fee is income to the Takaful Operator and is charged to the Family 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 Family 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:

Family takaful	38% (2018: 38%)
As-Syifa takaful	24% (2018: 24%)

In addition, the following products are based on the wakalah model with modifications to account for the profit share element of investment returns:

Nur savings (Hybrid wakalah)	35% (2018: 35%)
Mawaadah & Takaful Cahaya Mata (Modified wakalah)	40% (2018: 40%)

3.16 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 sharing ratio of the Company and participants is as follows:

Group Family (Annual policies)	50% (2018: 50%)
Family Savings & Financing	30% (2018: 30%)
Nur Savings (Hybrid wakalah)	30% (2018: 30%)
Mawaadah & Takaful Cahaya Mata (Modified wakalah)	40% (2018: 40%)

The net surplus from family 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.

Except for the existing family savings takaful plans, the Company has stopped issuing Al-Mudharabah contracts in 2011.

3.17 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.

3.18 Zakat

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

3.19 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.

3.20 Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are detailed below. Additionally, the disclosure requirement in IFRS16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 3.4.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet

The Company decided to apply recognition exemptions to short-term leases of office equipment and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

The Company has elected not to separate non-lease components and account for the lease and associated non-lease component as a single lease component.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company use the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Impacts on financial statements

In the context of the transition to IFRS 16, no right-of-use assets and lease liabilities were recognised as at 1 January 2019. During the year additional right-of-use asset of BND$598,000 and lease liabilities of BND$598,000 was recognised as a result of the application of the IFRS 16. Of these lease liabilities, BND$113,000 was due within one year.

The Company transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted. As part of the initial application of IFRS 16, the Company chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of the initial application.

In addition, the Company has decided not to apply the new guidance to leases whose terms will end within twelve months of the date of the initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense from short term leases. The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease obligations as at 31 December 2018.

Reconciliation	**Company BND'000**
Operating lease obligations at 31 December 2018	–
Discounting	–
Lease liabilities at 1 January 2019	–

When measuring lease liabilities, the Company discounted lease payments using the borrowing rate at 1 January 2019. The discount rate used was 6.0%. In order to derive the borrowing rate, reference borrowing rates from several financial institutions were reviewed. In the absence of a long-term yield curve for the country, management chose to adopt the reference of 6.0% given the existing market conditions for loans and financing has been generally stable for the past 8 - 10 years.

3.21 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 2019 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 2019.

The fair value information of the Company's directly held financial assets at 31 December 2019 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		**All other financial assets**	
	Fair value at 31 December 2019 BND'000	**Movement in the fair value during the year BND'000**	**Fair value at 31 December 2019 BND'000**	**Movement in the fair value during the year BND'000**
Cash and cash equivalents	102,883	–	–	–
Other receivables	1,695	–	–	–
Total financial assets	104,578	–	–	–

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:

	A+ to A- BND'000	Below BBB- or not rated BND'000	Total BND'000
2019			
Cash and cash equivalents	102,854	29	102,883
Other receivables	–	1,695	1,695
	102,854	1,724	104,578

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:

	Fair value BND'000	Carrying amount BND'000
2019		
Cash and cash equivalents	102,883	102,883
Other receivables	1,695	1,695
	104,578	104,578

(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 2017, 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 2023.

(iii) 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.

IFRS 17 is set to replace IFRS 4 Insurance Contracts.

IFRS 17 solves the comparison problems under IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. In addition, increased transparency about the profitability of new and inforce business will give users more insights into an insurer's financial health. Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings. Premium volumes will no longer drive the "top line" as investment components and cash received are no longer considered to be revenue. Accounting for options and guarantees will be more consistent and transparent.

IFRS 17 is applied retrospectively to groups of insurance contracts unless this is impracticable. If impracticable, the entity is permitted to choose between the modified retrospective approach or the fair value approach. The objective of the modified retrospective approach is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to full retrospective application. However, if an entity cannot obtain reasonable and supportable information to apply the modified retrospective approach, then it applies the fair value approach. The fair value approach is applied using the requirements in IFRS 13, except that the requirements of IFRS 13 relating to financial liability with a demand feature shall not be applicable.

IFRS 17 is applied for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted for entities that apply IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.

In June 2019, the IASB proposed a one year deferral of the effective date of IFRS 17 Insurance Contracts to 1 January 2023.

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

4 Segmental information

	2019			2018		
Statement of financial position As at 31 December	**Operator Fund BND'000**	**Participant Fund BND'000**	**Total BND'000**	**Operator Fund BND'000**	**Participant Fund BND'000**	**Total BND'000**
Assets						
Property and equipment	508	–	508	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	1,000	–	1,000	–	–	–
Other investments	8,609	6,328	14,937	8,610	6,328	14,938
Ceded share of takaful contract liabilities	–	281	281	–	336	336
Unexpired wakalah fees	–	601	601	–	610	610
Takaful receivables	–	623	623	–	484	484
Other receivables	153	919	1,072	187	523	710
Cash and cash equivalent	21,809	81,074	102,883	21,548	75,781	97,329
Total Assets	32,079	89,826	121,905	30,345	84,062	114,407
Liabilities						
Takaful contract liabilities	–	37,035	37,035	–	37,073	37,073
Takaful payables	–	988	988	–	793	793
Other payables	6,711	249	6,960	6,947	327	7,274
Lease liabilities	526	–	526	–	–	–
Provision for zakat and taxation	299	–	299	275	–	275
Total liabilities	7,536	38,272	45,808	7,222	38,193	45,415
Participants' fund	–	51,554	51,554	–	45,869	45,869
Equity						
Share capital	8,000	–	8,000	8,000	–	8,000
Reserves	5,070	–	5,070	5,072	–	5,072
Retained earnings	11,473	–	11,473	10,051	–	10,051
Total shareholders' equity	24,543	–	24,543	23,123	–	23,123
Total equity and liabilities	32,079	89,826	121,905	30,345	84,062	114,407

4 Segmental information (continued)

Statement of profit or loss Year ended 31 December	2019 Operator Fund BND'000	2019 Participant Fund BND'000	2019 Total BND'000	2018 Operator Fund BND'000	2018 Participant Fund BND'000	2018 Total BND'000
Gross takaful contributions	–	19,428	19,428	–	18,690	18,690
Contributions ceded to retakaful	–	(845)	(845)	–	(652)	(652)
Net takaful contributions	–	18,583	18,583	–	18,038	18,038
Change in unearned contribution reserves	–	457	457	–	(179)	(179)
Change in unearned contribution reserves ceded to retakaful	–	(7)	(7)	–	(8)	(8)
Net earned contributions	–	19,033	19,033	–	17,851	17,851
Gross claims paid	–	(7,800)	(7,800)	–	(8,761)	(8,761)
Claims paid ceded to retakaful	–	156	156	–	138	138
Gross change to claims liabilities	–	(325)	(325)	–	269	269
Change to claims liabilities ceded to retakaful	–	(48)	(48)	–	78	78
Net claims	–	(8,017)	(8,017)	–	(8,276)	(8,276)
Wakalah income/(expense)	6,209	(6,209)	–	5,834	(5,834)	–
Amortisation of unexpired wakalah fees	–	(9)	(9)	–	71	71
Takaful profit	6,209	4,798	11,007	5,834	3,812	9,646
Investment income	564	1,181	1,745	358	928	1,286
Share of profit	100	(100)	–	85	(85)	–
Other operating income	18	2	20	17	1	18
Other income	682	1,083	1,765	460	844	1,304
Personnel expenses	(1,246)	–	(1,246)	(1,437)	–	(1,437)
Change in expense reserves	333	–	333	(240)	–	(240)
Finance costs	(36)	–	(36)	–	–	–
Other operating expenses	(3,965)	(175)	(4,140)	(3,494)	(255)	(3,749)
Other expenses	(4,914)	(175)	(5,089)	(5,171)	(255)	(5,426)
(Profit) attributable to participants' fund	–	(5,706)	(5,706)	–	(4,401)	(4,401)
Profit before zakat and taxation	1,977	–	1,977	1,123	–	1,123
Zakat	–	–	–	–	–	–
Tax expense	(155)	–	(155)	(350)	–	(350)
Profit for the year	1,822	–	1,822	773	–	773

5 Property and equipment

	Right-of-use assets BND'000
Cost	
At 1 January 2018	–
Additions	–
At 31 December 2018	–
Recognition of right-of-use asset on initial application of IFRS 16	–
Adjusted balance at 1 January 2019	–
Additions	598
At 31 December 2019	598
Accumulated depreciation and impairment losses	
At 1 January 2018	–
Depreciation	–
At 31 December 2018	–
Depreciation	90
At 31 December 2019	90
Carrying amounts	
At 1 January 2018	–
At 31 December 2018	–
At 31 December 2019	508

The Company has chosen to apply the modified retrospective approach in recognising lease assets for the adoption of IFRS 16. The above relates to long term lease contracts entered during the year.

6 Balances with Autoriti Monetari Brunei Darussalam

Under Section 16 of the Takaful Order, 2008 and Regulation 9(1) of the Takaful Regulations, 2008, the Company is required to maintain cash balance of BND$1 million with Autoriti Monetari Brunei Darussalam ("AMBD").

7 Other investments

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
2019			
Available-for-sale			
Sukuk	–	–	–
Equity securities	8,609	6,328	14,937
	8,609	6,328	14,937
2018			
Available-for-sale			
Sukuk	–	–	–
Equity securities	8,610	6,328	14,938
	8,610	6,328	14,938

The sukuk asset (available-for-sale) relates to a single sukuk exposure which was fully impaired since 2016 following the announcement of judicial management of the parent company which issued the sukuk and the subsequent default of sukuk coupon on 29th July 2016 and 2nd 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 BND$14,937,000 (2018: BND$14,938,000).

Other investments are allocated as follows:

	2019 BND'000	2018 BND'000
Non-current	–	–
Current	14,937	14,938
	14,937	14,938

Information about the Company's exposures to credit and market risks, and fair value measurement, is included in note 25.

8 Takaful contract liabilities

	Family Takaful Fund		
	Gross BND'000	**Ceded share BND'000**	**Net BND'000**
2019			
Unexpired risk reserves	37	(15)	22
Unearned contribution reserves	1,270	(137)	1,133
	1,307	(152)	1,155
Provision for outstanding claims			
- Outstanding claims	933	(110)	823
- Actuarial liabilities and outstanding claims incurred but not reported (IBNR)	34,795	(19)	34,776
	35,728	(129)	35,599
	37,035	(281)	36,754
2018			
Unexpired risk reserves	57	(23)	34
Unearned contribution reserves	1,616	(136)	1,480
	1,673	(159)	1,514
Provision for outstanding claims			
- Outstanding claims	1,096	(159)	937
- Actuarial liabilities and outstanding claims incurred but not reported (IBNR)	34,304	(18)	34,286
	35,400	(177)	35,223
	37,073	(336)	36,737

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 product As-Syifa during the year for the estimated future claims liabilities that are expected to emerge.

The movements in takaful contract provisions are as follows:

	Family Takaful Fund		
	Gross BND'000	**Ceded share BND'000**	**Net BND'000**
2019			
Unearned contribution reserves			
At 1 January	1,616	(136)	1,480
Premiums written	19,428	(845)	18,583
Premiums earned	(19,774)	844	(18,930)
At 31 December	1,270	(137)	1,133
Provision for outstanding claims			
At 1 January	35,400	(177)	35,223
Claims (paid)/recovered	(7,800)	156	(7,644)
Claims incurred	8,128	(108)	8,020
At 31 December	35,728	(129)	35,599

	Gross BND'000	Ceded share BND'000	Net BND'000
2018			
Unearned contribution reserves			
At 1 January	1,437	(146)	1,291
Premiums written	18,690	(652)	18,038
Premiums earned	(18,511)	662	(17,849)
At 31 December	1,616	(136)	1,480
Provision for outstanding claims			
At 1 January	35,669	(99)	35,570
Claims (paid)/recovered	(8,761)	138	(8,623)
Claims incurred	8,492	(216)	8,276
At 31 December	35,400	(177)	35,223

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

	Family Takaful Fund		
	Gross BND'000	Ceded share BND'000	Net BND'000
2019			
Due within one year	933	(110)	823
Due after one through three years	–	–	–
Due after three to five years	–	–	–
Due after five years	34,795	(19)	34,776
	35,728	(129)	35,599
2018			
Due within one year	996	(144)	852
Due after one through three years	–	(15)	(15)
Due after three to five years	100	–	100
Due after five years	34,304	(18)	34,286
	35,400	(177)	35,223

9 Unexpired wakalah fees

Family Takaful Fund	2019 BND'000	2018 BND'000
At 1 January	610	539
Wakalah fee paid during the year (note 18)	6,209	5,834
Amortisation of wakalah fee during the year	(6,218)	(5,763)
At 31 December	601	610

Unexpired wakalah fees are current.

10 Takaful receivables

	Family Takaful Fund BND'000
2019	
Amounts due from participants and brokers	820
Less: Allowances for doubtful receivables from participants and brokers	(197)
	623
2018	
Amounts due from participants and brokers	611
Less: Allowances for doubtful receivables from participants and brokers	(127)
	484

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:

	2019			2018		
	Gross BND'000	Allowance BND'000	Net BND'000	Gross BND'000	Allowance BND'000	Net BND'000
Not due	28	–	28	102	–	102
Up to 6 months	595	–	595	382	–	382
Above 6 months but not exceeding 12 months	36	(36)	–	116	(116)	–
Above 12 months	161	(161)	–	11	(11)	–
	820	(197)	623	611	(127)	484

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.

The movements in allowance for doubtful receivables in respect of takaful receivables during the year are as follows:

	2019 BND'000	2018 BND'000
At 1 January	127	4
Impairment losses made on takaful receivables	248	125
Recovery of bad and doubtful takaful receivables	(178)	(2)
At 31 December	197	127

11 Other receivables

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
2019			
Other receivables	–	8	8
Accrued income	177	861	1,038
Deposits	16	–	16
Prepayments	10	–	10
	203	869	1,072
2018			
Other receivables	–	15	15
Accrued income	144	515	659
Deposits	22	–	22
Prepayments	14	–	14
	180	530	710

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.

12 Cash and cash equivalents

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
2019			
Cash and bank balances	1,409	16,374	17,783
Short term deposits	20,400	64,700	85,100
	21,809	81,074	102,883
2018			
Cash and bank balances	2,448	8,381	10,829
Short term deposits	19,100	67,400	86,500
	21,548	75,781	97,329

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 or repayable on demand

13 Takaful payables

	Takaful Operator BND'000	Family Takaful BND'000	Total BND'000
2019			
Amount due to:			
- retakaful companies	–	988	988
	–	988	988
2018			
Amount due to:			
- retakaful companies	–	793	793
	–	793	793

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

14 Other payables

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
2019			
Advanced contributions from participants	–	40	40
Profit payable to participants	–	205	205
Amount due to immediate holding Company (non-trade)	175	–	175
Accrued expenses	6,328	–	6,328
Other payables	208	4	212
	6,711	249	6,960
2018			
Advanced contributions from participants	–	45	45
Profit payable to participants	–	229	229
Amount due to related group companies (non-trade)	–	4	4
Amount due to immediate holding company (non-trade)	99	–	99
Accrued expenses	6,669	–	6,669
Other payables	179	49	228
	6,947	327	7,274

Other payables are all current.

15 Lease liabilities

2019	**BND'000**
Lease liabilities (Non-current portion)	413
Lease liabilities (Current portion)	113
Lease liabilities	526

The movement in the lease liabilities is as follows:

Principal recognised at 1 January 2019 (IFRS 16 adoption)	–
Additions of leases during the year	598
Payments of lease charges	(36)
Payments of principal	(72)
	490
Lease charges in profit or loss	36
Remaining principal at 31 December	**526**
Of which:	
Current portion	113
Non-current portion	413

Maturity of the lease liabilities are analysed as follows:

Within one year	113
Between 1 and 5 years	413
Balance at 31 December	**526**

Lease liabilities are part of financial statement captions as stated. Finance charges are part of financial statement caption 'Finance costs'.

Leases are presented as follows in the income statement:

Leases in the income statement	**Company BND'000**
Expenses from short-term leases	12
Expenses from low value asset leases	–
Depreciation and impairment losses	
Depreciation of right-of-use assets	90
Net finance costs	
Finance charges on lease liabilities	36

Right-of-use assets 2019	**BND'000**
Balance as 1 January	–
Additions to right-of-use assets	598
Depreciation charge for the year	(90)
Balance at 31 December	**508**

16 Capital and reserves

	2019 and 2018	
	Number of shares '000	**Amount BND'000**
Authorised		
Ordinary shares of $1 each	100,000	100,000
Issued and fully paid up		
Ordinary shares of $1 each	8,000	8,000

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.

	2019 BND'000	**2018 BND'000**
Available-for-sale reserve	5,070	5,072

Dividends

Subsequent to the year end, the directors recommended a final dividend of BND$0.02 per share to be declared by the Company for year ended 31 December 2019 (2018: BND$0.02).

17 Participants' fund

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

2019	**BND'000**
Unallocated/accumulated surplus b/f	45,869
Profit attributable to takaful funds	5,706
Outright transfer from Operator's fund	–
Hibah paid to participants for the year	(56)
Other adjustments to tabarru	35
Movement in Available for sale reserve attributable to participants	–
Net assets value attributable to unit holders c/f	51,554

2018	**BND'000**
Unallocated/accumulated surplus b/f	38,433
Profit attributable to takaful funds	4,401
Outright transfer from Operator's fund	–
Hibah paid to participants for the year	(49)
Other adjustments to tabarru	(9)
Movement in Available for sale reserve attributable to participants	3,093
Net assets value attributable to unit holders c/f	45,869

18 Wakalah fee

	Takaful Operator BND'000	**Family Takaful Fund BND'000**	**Total BND'000**
2019			
Wakalah income	6,209	–	6,209
Wakalah expense	–	(6,209)	(6,209)
	6,209	(6,209)	–
2018			
Wakalah income	5,834	–	5,834
Wakalah expense	–	(5,834)	(5,834)
	5,834	(5,834)	–

19 Other operating income

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
2019			
Mudharabah share of profit income	100	(100)	–
Other income	18	2	20
	118	(98)	20
2018			
Mudharabah share of profit income	85	(85)	–
Other income	17	1	18
	102	(84)	18

20 Personnel expenses

	Total 2019 BND'000	Total 2018 BND'000
Salaries and bonus	1,013	1,175
Contributions to defined contribution plans	79	92
Other personnel expenses	154	170
	1,246	1,437

21 Profit for the year

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

	Note	Total 2019 BND'000	Total 2018 BND'000
Agent commissions		1,559	1,385
Claims handling expenses		(333)	240
Contribution debtors written off	10	248	125
Depreciation	5	90	–
Legal, professional and audit fees		171	118
Finance costs lease charges		36	–
Recovery of contribution debtors	10	(178)	(2)

22 Tax and zakat expenses

	2019 BND'000	2018 BND'000
Tax recognised in profit or loss		
Current tax expense		
Current year	299	275
Adjustment for prior years	(144)	75
	155	350
Total tax expense	155	350

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

	2019 BND'000	2018 BND'000
Profit before zakat and taxation	1,977	1,123
Income tax using the domestic corporate tax rate of 18.5% (2018: 18.5%)	366	208
Others	(211)	142
	155	350

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 AAIOIFI 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 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, 2014 and 2016 (Years ended 31 December 2012, 2013 and 2015 respectively) amounting to $383,000 as a result of the effect of the application of International Financial Reporting Standards ("IFRS") as required by the Regulator in 2014.

23 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:

	2019 BND'000	2018 BND'000
Short-term employee benefits		
Directors' fees and other remuneration	4	4
Other key management personnel:		
- Salary and employee benefits	166	269

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:

	2019 BND'000	2018 BND'000
Shareholder		
- Commission and fees paid/ payable	1,072	1,033

All short term deposits at respective year ends are held with related parties (note 12). Management fees of BND$1,794,000 (2018: BND$1,470,000) were paid to the 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.

24 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 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. Underwriting limits that are in compliance with Brunei laws and regulations are in place to enforce appropriate risk selection criteria.

(i) Family Takaful Fund

The key coverage for the Family Takaful contracts

The key coverage for the Family Takaful contracts are death, total and permanent disability, hospital and surgical benefits, personal accident benefits, daily hospitalisation cash allowance benefit, and dread disease benefit.

Concentration of Family Takaful risk

The following gives details of the Company's concentration of risks based on Gross takaful contributions by main product categories:

	Gross BND'000	Retakaful BND'000	Net BND'000
Family Takaful Fund			
2019			
Group annual takaful contracts	4,378	(572)	3,806
Endowment	3,147	(3)	3,144
Financing	11,903	(270)	11,633
	19,428	(845)	18,583
2018			
Group annual takaful contracts	4,470	(625)	3,845
Endowment	3,366	(2)	3,364
Financing	10,854	(25)	10,829
	18,690	(652)	18,038

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

Key assumptions

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

Mortality and morbidity rates

This is significant for contracts with significant coverage for death, total permanent disability and critical illness and the increase in the mortality or morbidity would have direct impact on the liability.

Discount rate

As the liabilities are the present value of future cash flows, both income and outgo, a decrease in discount rate would have an increasing impact on the liabilities and vice-versa.

Surrender rate

This is only applicable particularly to savings products, where when the rate is reduced (products with Participant Investment Fund) or increased (products without Participant Investment Fund), will impact to an increase of the liability.

Sensitivity analysis

The Family Takaful actuarial liabilities are sensitive to the key assumptions above and change in these assumptions may impact the liabilities of the Family Takaful Fund significantly. The correlation of assumptions will have a significant effect in determining the actuarial liabilities.

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of actuarial liabilities as at 31 December 2019, 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. There is currently no official independently published source of Brunei national mortality tables to be compared against. Sensitivity analysis was not performed for inflation 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:
- Mortality;
- Lapse rate; and
- Discount rate.

2019		**BND'000**	**BND'000**
Net actuarial liabilities			
Base scenario		**36,153**	**36,153**
	Change in assumptions	+10% points	-10% points
Assumptions			
Mortality		36,156	36,149
Lapse Ratio		36,152	36,153
	Change in assumptions	+0.5% points	-0.5% points
Discount rate		36,152	36,153

2018		**BND'000**	**BND'000**
Net actuarial liabilities			
Base scenario		**35,059**	**35,059**
	Change in assumptions	+10% points	-10% points
Assumptions			
Mortality		35,064	35,055
Lapse Ratio		35,059	35,060
	Change in assumptions	+0.5% points	-0.5% points
Discount rate		35,059	35,060

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 for non-life covers.

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

Analysis of claims development – gross basis
Gross loss development tables as at 31 December 2019

Accident Year	2010 & Prior 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	2019 BND'000	Total BND'000
Estimate of ultimate claims cost:											
At end of accident year	–	–	4,732	5,982	9,804	12,755	17,994	6,748	1,401	1,664	
One year later	–	5,410	6,206	10,698	10,629	14,540	14,058	6,863	1,384	–	
Two years later	6,520	6,048	8,415	10,456	10,232	14,224	13,367	6,844	–	–	
Three years later	8,027	6,916	8,535	10,876	10,232	14,224	13,973	–	–	–	
Four years later	10,278	7,707	8,607	10,935	10,232	14,221	–	–	–	–	
Five years later	10,576	7,707	8,607	10,935	10,221	–	–	–	–	–	
Six years later	10,612	7,707	8,607	10,935	–	–	–	–	–	–	
Seven years later	10,612	7,707	8,607	–	–	–	–	–	–	–	
Eight years later	10,612	7,707	–	–	–	–	–	–	–	–	
Nine years later	10,612	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**10,612**	**7,707**	**8,607**	**10,935**	**10,221**	**14,221**	**13,973**	**6,844**	**1,384**	**1,664**	**86,168**
Cumulative payments	10,612	7,707	8,607	10,935	10,221	14,224	13,977	6,843	1,352	1,258	85,736
Undiscounted Outstanding Claim Liabilities	–	–	–	–	–	(3)	(4)	1	32	406	432
Provision for adverse deviation	–	–	–	–	–	(1)	(1)	–	8	69	75
Outstanding claim liabilities	–	–	–	–	–	(4)	(5)	1	40	475	**507**
Actuarial liabilities for family takaful											35,221
Total provision for outstanding claims											**35,728**

Analysis of claims development – net basis
Net loss development tables as at 31 December 2019

Accident Year	2010 & Prior 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	2019 BND'000	Total BND'000
Estimate of ultimate claims cost:											
At end of accident year	–	–	3,889	4,687	7,411	8,148	16,094	6,443	1,083	1,419	
One year later	–	3,438	4,274	7,852	7,285	9,571	12,693	6,625	1,192	–	
Two years later	4,173	4,200	5,825	7,322	6,958	9,716	12,603	6,594	–	–	
Three years later	4,440	4,204	5,849	7,688	7,054	9,716	12,600	–	–	–	
Four years later	4,942	5,308	5,897	7,771	7,054	9,713	–	–	–	–	
Five years later	5,374	5,284	5,897	7,771	6,954	–	–	–	–	–	
Six years later	5,446	5,284	5,897	7,771	–	–	–	–	–	–	
Seven years later	5,446	5,284	5,897	–	–	–	–	–	–	–	
Eight years later	5,446	5,284	–	–	–	–	–	–	–	–	
Nine years later	5,446	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**5,446**	**5,284**	**5,897**	**7,771**	**6,954**	**9,713**	**12,600**	**6,594**	**1,192**	**1,419**	**62,870**
Cumulative payments	5,446	5,284	5,897	7,771	6,954	9,716	12,603	6,593	1,162	1,137	62,563
Undiscounted Outstanding Claim Liabilities	–	–	–	–	–	**(3)**	**(3)**	**1**	**30**	**282**	**307**
Provision for adverse deviation	–	–	–	–	–	(1)	(1)	–	8	65	71
Outstanding claim liabilities	–	–	–	–	–	**(4)**	**(4)**	**1**	**38**	**347**	**378**
Actuarial liabilities for family takaful											35,221
Total provision for outstanding claims											35,599

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
Estimate of ultimate claims cost:											
At end of accident year	–	–	–	4,732	5,982	9,804	12,755	17,994	6,748	1,401	
One year later	–	–	5,410	6,206	10,698	10,629	14,540	14,058	6,863	–	
Two years later	–	6,520	6,048	8,415	10,456	10,232	14,224	13,967	–	–	
Three years later	3,361	6,196	6,916	8,535	10,876	10,232	14,224	–	–	–	
Four years later	3,373	6,916	7,707	8,607	10,935	10,232	–	–	–	–	
Five years later	3,373	7,204	7,707	8,607	10,935	–	–	–	–	–	
Six years later	3,373	7,240	7,707	8,607	–	–	–	–	–	–	
Seven years later	3,373	7,240	7,707	–	–	–	–	–	–	–	
Eight years later	3,373	7,240	–	–	–	–	–	–	–	–	
Nine years later	3,373	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**3,373**	**7,240**	**7,707**	**8,607**	**10,935**	**10,232**	**14,224**	**13,967**	**6,863**	**1,401**	**84,549**
Cumulative payments	3,373	7,240	7,707	8,607	10,935	10,132	14,224	13,967	6,818	1,117	84,120
Undiscounted Outstanding Claim Liabilities	–	–	–	–	–	100	–	–	45	284	429
Provision for adverse deviation	–	–	–	–	–	–	–	–	8	59	67
Outstanding claim liabilities	–	–	–	–	–	100	–	–	53	343	**496**
Actuarial liabilities for family takaful											34,904
Total provision for outstanding claims											**35,400**

Analysis of claims development – net basis
Net 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**
Estimate of ultimate claims cost:											
At end of accident year	–	–	–	3,889	4,687	7,411	8,148	16,094	6,443	1,083	
One year later	–	–	3,438	4,274	7,852	7,285	9,571	12,693	6,625	–	
Two years later	–	4,173	4,200	5,825	7,322	6,958	9,716	12,603	–	–	
Three years later	550	4,052	4,204	5,849	7,688	7,054	9,716	–	–	–	
Four years later	550	4,392	5,308	5,897	7,771	7,054	–	–	–	–	
Five years later	550	4,824	5,284	5,897	7,771	–	–	–	–	–	
Six years later	551	4,896	5,284	5,897	–	–	–	–	–	–	
Seven years later	551	4,896	5,284	–	–	–	–	–	–	–	
Eight years later	551	4,896	–	–	–	–	–	–	–	–	
Nine years later	551	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**551**	**4,896**	**5,284**	**5,897**	**7,771**	**7,054**	**9,716**	**12,603**	**6,625**	**1,083**	**61,480**
Cumulative payments	551	4,896	5,284	5,897	7,771	6,954	9,716	12,603	6,580	902	61,154
Undiscounted Outstanding Claim Liabilities	–	–	–	–	–	**100**	–	–	**45**	**181**	**326**
Provision for adverse deviation	–	–	–	–	–	–	–	–	8	55	63
Outstanding claim liabilities	–	–	–	–	–	**100**	–	–	**53**	**232**	**389**
Actuarial liabilities for family takaful											34,834
Total provision for outstanding claims											35,223

25 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 the Company's exposure to bad debts is not significant. The Company also periodically reviews the financial stability of retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

The Company held short term deposits of BND$85,100,000 at 31 December 2019 (2018: BND$86,500,000) 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- (2018: 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 operator 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 2019 and 31 December 2018, all of the Company's investments were not rated by an external ratings agency.

Aging analysis of financial assets

See note 10 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 normal 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.

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 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 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			------>
	Note	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
2019											
Financial assets measured at fair value											
Other investments	7	–	–	–	14,937	–	14,937	–	–	14,937	14,937
		–	–	–	14,937	–	14,937				
Financial assets not measured at fair value											
Balances with Authoriti Monetari Brunei Darussalam	6	–	–	1,000	–	–	1,000				
Other receivables*	11	–	–	1,062	–	–	1,062				
Cash and cash equivalents	12	–	–	102,883	–	–	102,883				
		–	–	104,945	–	–	104,945				
Financial liabilities not measured at fair value											
Other payables	14	–	–	–	–	6,960	6,960				
Lease liabilities	15	–	–	–	–	526	526				
		–	–	–	–	7,486	7,486				

*This figure excludes prepayments.

	Note	<------ Carrying amount: 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 ------>	<------ Fair value: Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000 ------>
2018											
Financial assets measured at fair value											
Other investments	7	–	–	–	14,938	–	14,938	–	–	14,938	14,938
		–	–	–	14,938	–	14,938				
Financial assets not measured at fair value											
Balances with Authoriti Monetari Brunei Darussalam	6	–	–	–	–	–	–				
Other receivables*	11	–	–	696	–	–	696				
Cash and cash equivalents	12	–	–	97,329	–	–	97,329				
		–	–	98,025	–	–	98,025				
Financial liabilities not measured at fair value											
Other payables	14	–	–	–	–	7,274	7,274				
		–	–	–	–	7,274	7,274				

*This figure excludes prepayments.

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.

2019	**Equities BND'000**	**Total BND '000**
Balance at 1 January	14,938	14,938
Total gains or losses in OCI	(1)	(1)
Balance at 31 December	14,937	14,937

2018		
Balance at 1 January	7,634	7,634
Total gains or losses in OCI	7,304	7,304
Balance at 31 December	14,938	14,938

b) Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2019 and 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	**Fair values at 31 December 2019 BND'000**	**Significant unobservable input**
Equity shares	14,937	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 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.

c) 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:

ii) a fund margin of solvency in respect of each of the takaful funds; and
iii) 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 (2018: 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.