KPMG كي . ڤي . عيم . جي .

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

Annual Report
Year ended 31 December 2021

TAKAFUL BRUNEI AM SDN BHD

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and audited financial statements for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	BND'000
Retained earnings at the beginning of the year	31,249
Profit for the year	7,548
Dividends paid	(966)
Retained earnings at the end of the year	37,831

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 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended 31 December 2021.

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 year ended 31 December 2020:	
Final dividend of BND$0.085 per ordinary share	966

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2021 of BND$0.1998 per ordinary share will be proposed.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements. There were no transfers to reserves subsequent to the financial year end and to the date of this report.

DIRECTORS

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

Yang Berhormat Dato Seri Setia Dr Awang Haji Amin Liew bin Abdullah (Chairman)	
Yang Mulia Awang Haji Maswadi bin Haji Mohsin	(appointed 31 July 2021)
Yang Mulia Dr Awang Abdul Nasir bin Haji Abdul Rani	(appointed 31 July 2021)
Yang Mulia Awang Junaidi bin Haji Masri	
Yang Mulia Awang Haji Sofian bin Haji Mohamad Jani	(appointed 31 July 2021)
Yang Mulia Awang Haji Shahrildin bin Pehin Orang Kaya Lela Utama Dato Paduka Haji Jaya	
Yang Mulia Dato Seri Setia Awang Haji Mohammad Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof	(resigned 31 July 2021)
Yang Mulia Awang Haji Abdul Manap bin Othman	(resigned 31 July 2021)
Yang Mulia Dato Paduka Awang Iqbal Khan	(resigned 31 July 2021)
Yang Mulia Awang Javed Ahmad	(resigned 31 July 2021)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there exist any arrangements to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other corporate body.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due receivable by the directors, or the fixed salary of a full time employee of the Company as disclosed in Note 23 of the financial statements) by reason of a contract made by the Company or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

None of the directors who held office at the end of the financial year had, according to the register required to be kept under Section 145 (A), of the Companies Act, Chapter 39, any interest in shares and in options in the Company or its related corporations during the financial year.

AUDITORS

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

ON BEHALF OF THE BOARD

Yang Berhormat Dato Seri Setia Dr Awang 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: 31 MAR 2022

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 Am Sdn Bhd

السلام عليكم ورحمة الله وبركاته

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Takaful Brunei Am Sdn Bhd during the year ended 31 December 2021. We have also conducted our review to form an opinion as to whether Takaful Brunei Am Sdn Bhd has complied with *Hukum Syara'* and also with the specific fatwas, rulings and guidelines issued by us.

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

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

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

In our opinion:

a) The contracts, transactions and dealings entered into by Takaful Brunei Am Sdn Bhd during the financial period ending 31 December, 2021 that we have reviewed are in compliance with *Hukum Syara'*;

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

c) All earnings that have been realised from sources or by means prohibited by *Hukum Syara'* have been separated and considered for disposal to charitable causes; and

d) The calculation of Zakat is in compliance with *Hukum Syara'*.

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 Mulia Datin Paduka Dr Dayang Hajah Masnon binti Haji Ibrahim (Chairman)	Yang Mulia Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof (Vice Chairman)
Yang Mulia Dr Dayang Noryati binti Haji Ibrahim (Member)	Yang Mulia Haji Awang Mohammad Sofian bin Awang Tengah (Member)

Date: 31 MAR 2022

At

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

KPMG

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Jalan Pemancha
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Independent Auditors' Report

To the Shareholders of Takaful Brunei Am Sdn Bhd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Takaful Brunei Am Sdn Bhd ("the Company"), which comprise the statement of financial position of the Company as at 31 December 2021, the statements of profit or loss, 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 2021, 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 other 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

Sufian bin Zainul Abidin
Public Accountant

Brunei Darussalam
Date: 31 March 2022

Financial statements
Contents

Statement of financial position
As at 31 December 2021

	Note	2021 BND'000	2020 BND'000
Assets			
Cash and cash equivalents	5	83,872	179,247
Takaful receivables	6	14,637	10,877
Other receivables	7	6,338	1,354
Unexpired wakalah fee	8	10,134	9,124
Other investments	9	116,409	16,321
Ceded share of takaful contract liabilities	10	42,835	34,822
Balances with Brunei Darussalam Central Bank	11	2,000	2,000
Property and equipment	12	230	402
Total assets		276,455	254,147
Liabilities			
Takaful payables	13	13,415	11,233
Other payables	14	13,624	9,862
Lease liabilities	15	248	422
Takaful contract liabilities	10	120,799	115,244
Provision for zakat and taxation		1,597	865
Total liabilities		149,683	137,626
Participants' fund	16	65,821	62,239
Equity			
Share capital	17	11,421	11,421
Reserves	17	11,699	11,612
Retained earnings		37,831	31,249
Total shareholders' equity		60,951	54,282
Total equity and liabilities		276,455	254,147

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

Statement of profit or loss
Year ended 31 December 2021

	Note	2021 BND'000	2020 BND'000
Gross takaful contributions	10	83,075	75,225
Contributions ceded to retakaful	10	(25,307)	(24,172)
Net takaful contributions		57,768	51,053
Change in unearned contribution reserves		(4,732)	(10,398)
Change in unearned contribution reserves ceded to retakaful		2,752	8,149
Net movement in unearned contribution reserves		(1,980)	(2,249)
Net earned contributions		55,788	48,804
Wakalah income	18	22,556	20,032
Gross claims paid	10	(36,073)	(36,645)
Claims paid ceded to retakaful	10	10,185	15,151
Gross change to claims liabilities		(823)	(6,252)
Change to claims liabilities ceded to retakaful		4,046	1,912
Net claims		(22,665)	(25,834)
Wakalah expense	18	(22,556)	(20,032)
Amortisation of wakalah fee during the year		1,010	998
Takaful profit		34,133	23,968
Investment income		2,402	2,606
Other operating income	19	7,280	1,664
Other income		9,682	4,270
Personnel expenses	20	(4,523)	(3,876)
Change in expense reserves		(3,634)	(1,075)
Finance costs	15	(25)	(35)
Other operating expenses		(13,848)	(14,426)
Other expenses		(22,030)	(19,412)
(Profit) attributable to takaful funds	16	(13,019)	(4,571)
Profit before zakat and taxation		8,766	4,255
Zakat	22	–	–
Tax expense	22	(1,218)	(538)
Profit for the year	21	7,548	3,717

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

Certification

I certify that the above financial statements give a true and fair view of the financial position as at 31 December 2021 and the financial performance for the year ended 31 December 2021.

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

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

Yang Berhormat Dato Seri Setia Dr Awang Haji
Mohd 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: 31 MAR 2022

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

Statement of comprehensive income
Year ended 31 December 2021

	Note	2021 BND'000	2020 BND'000
Profit for the year	21	7,548	3,717
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		87	(3,862)
Other comprehensive income for the year, net of tax		87	(3,862)
Total comprehensive income for the year		7,635	(145)

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

Statement of changes in equity
Year ended 31 December 2021

	Note	Share capital BND'000	Available-for-sale reserve BND'000	Retained earnings BND'000	Total BND'000
		Attributable to the owners of the Company			
At 1 January 2020		11,421	15,474	28,216	55,111
Total comprehensive income for the year					
Profit for the year		–	–	3,717	3,717
Other comprehensive income					
Change in fair value of available-for-sale financial assets, net of tax		–	(3,862)	–	(3,862)
Total other comprehensive Income		–	(3,862)	–	(3,862)
Total comprehensive income for the year		–	(3,862)	3,717	(145)
Contributions by and distributions to owners					
Dividends paid on ordinary shares	17	–	–	(684)	(684)
At 31 December 2020/ At 1 January 2021		11,421	11,612	31,249	54,282
Total comprehensive income for the year					
Profit for the year		–	–	7,548	7,548
Other comprehensive income					
Change in fair value of available-for-sale financial assets, net of tax		–	87	–	87
Total other comprehensive Income		–	87	–	87
Total comprehensive income for the year		–	87	7,548	7,635
Contributions by and distributions to owners					
Dividends paid on ordinary shares	17	–	–	(966)	(966)
At 31 December 2021		11,421	11,699	37,831	60,951

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

Statement of cash flows
Year ended 31 December 2021

	Note	2021 BND'000	2020 BND'000
Cash flows from operating activities			
Profit for the year		7,548	3,717
Adjustments for:			
Dividend income		(1,171)	(1,237)
Finance costs	15	25	35
Tax expense	22	1,218	538
Decrease in fair value of other investments		3,050	–
Depreciation	12	172	176
		10,842	3,229
Changes in:			
Takaful and other receivables		(8,744)	(7,035)
Takaful and other payables		5,944	9,363
Takaful contract liabilities		(3,468)	5,457
Participants' funds		3,581	1,045
Cash generated from operations		8,155	12,059
Income tax paid		(486)	(513)
Net cash from operating activities		7,669	11,546
Cash flows from investing activities			
Dividend received		1,171	1,237
Acquisition of other investments		(103,050)	–
Net cash (used in)/from investing activities		(101,879)	1,237
Cash flows from financing activities			
Finance costs on leases paid	15	(25)	(35)
Payment of lease liabilities	15	(174)	(163)
Dividends paid	17	(966)	(684)
Net cash used in financing activities		(1,165)	(882)
Net (decrease)/increase in cash and cash equivalents		(95,375)	11,901
Cash and cash equivalents at 1 January		179,247	167,346
Cash and cash equivalents at 31 December	5	83,872	179,247

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 31 March 2022.

1 Domicile and activities

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

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 2021 do not include other entities.

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

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The changes to significant accounting policies are described in note 2.5.

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

In preparing the Company-level financial statements as a whole, the assets, liabilities, income and expenses of the Takaful funds are combined with those of the Takaful Operator whereby the related inter-fund balances, including Qard, and transactions are eliminated in full. The accounting policies adopted for the Takaful Operator and takaful fund are uniform for like transactions and events in similar circumstances.

The takaful fund is consolidated and combined from the date of control and continue to be consolidated until the date such control ceases which occur when the Company's license to manage takaful business is withdrawn or surrendered.

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 ("BND"), 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 prospectively.

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
Note 25(c)(iv) – Determination of fair value of financial instruments with significant unobservable inputs

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 market 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 Note 24 – Takaful risk management and Note 25 – Financial risk management.

2.5 New standards and amendments

The Company has applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to IFRS 16)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IFRS 1-39 and IFRS 7, IFRS 4 and IFRS 16)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

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 2.5, 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 reporting date are translated 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 translation are generally 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: fair value through profit or loss, 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 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 include other investments comprising sukuks and investment in mutual fund.

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 comprises cash and cash equivalents, balances with Brunei Darussalam Central Bank and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprises 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 initially measured 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. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

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 legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a standard – e.g. gains and losses arising from a group of similar transactions.

3.3 Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant 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.

Any gain or loss on disposal of an item of property and equipment 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.

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

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 contracts conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee

At commencement or on modification 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, 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 end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-if-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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 profit 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 payments, 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 payments of 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 profit 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, 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 'lease liabilities' 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 leases of low-value assets and short-term leases, 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.

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 (including equity securities) 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, 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

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

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Profit on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

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

(ii) *Non-financial assets*

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

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

(i) Classification of takaful and investment contracts

Takaful contracts are contracts in which the Company underwrites/accepts significant risks (by pooling the risks in a risk fund) from participants of General Takaful Fund (collectively referred to as "the funds") 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.

(ii) Takaful receivables and payables

Takaful receivables and payables are recognised initially on the date they are originated. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, takaful receivables and payables are measured at amortised cost, using the effective profit method. Bad debts are written off when identified and specific allowances for impairment are made for these receivables considered to be doubtful.

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. The impairment loss is calculated under the same method used for these financial assets.

Takaful receivables and insurance payables are derecognised based on the same criteria as financial assets and liabilities respectively, as described in note 3.2

3.9 General Takaful Fund

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

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

(i) Contribution income

Contribution income include contributions on contracts entered during the financial year based on inception date, irrespective of whether they relate in whole or in part to later financial years. Inward treaty retakaful contributions are recognised on the basis of periodic advances received from the ceding takaful operators. Outward retakaful contributions are recognised as contribution income in the same financial period as the underlying takaful risk which the retakaful relates.

(ii) Contribution liabilities

Contribution liabilities represent the future obligations on takaful contracts as represented by contribution received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful contracts and recognised as earned contribution income. Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

(iii) Unearned contribution reserves

The unearned contribution reserves ("UCR") represents the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period. The provision for UCR at each reporting date is calculated using the 1/365 method on written contributions, except for motor policies using the 1/24 method and for policies with periods exceeding one year or less than one year which is calculated on a daily pro-rata basis over the policy period for general takaful business.

(iv) *Unexpired risk reserves*

Unexpired risk reserves is the prospective estimate of the expected future payments arising from future events insured or covered under contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these policies or contracts and settling the relevant claims, and shall allow for expected future contributions refunds. URR is estimated via an actuarial valuation performed by qualified actuary, using mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

(v) *Claims incurred and provision for outstanding claims*

Claims incurred comprise claims and claims handing expenses paid during the financial year and changes in the provision for outstanding claims.

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

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the reporting date, using historical data with respect to number or claims, claim payments and changes in estimates of the outstanding claim together appropriate methodology; including the Link Ratio method, Bornhuetter-Ferguson method and Ultimate Loss Ratio method. This is based on management's best estimates. The actual ultimate loss ratio may differ from the actual due to estimation uncertainties.

(vi) *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 contributions-and takaful claims. Where an expected shortfall is identified, additional provisions are made for unearned contributions or takaful claims and the deficiency is recognised in profit or loss.

3.10 Retakaful

The Company cedes takaful risk in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. 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 that the General Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the General Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

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

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

Assumed retakaful risks

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

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

3.11 Participants' fund

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

3.12 Expenses liability

The contract underlying takaful operations defines a unique relationship between the Takaful Operator and participants of a takaful scheme. While the General Takaful Funds are responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations towards the participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful funds as well as meet costs involved in managing the takaful business.

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

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

Expenses liability of General Takaful Fund

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

3.13 Commission expenses

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

Mudharabah policies

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

Wakalah policies

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

3.14 Wakalah fee

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

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

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

Motor takaful	35% (2020: 35%)
Other General takaful	35% (2020: 35%)
As-syifa takaful plan	24% (2020: 24%)

3.15 Profit sharing contracts

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

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

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

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

3.16 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 in profit or loss.

3.17 Zakat

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

3.18 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also included any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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, 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 and taxable temporary differences arising on the initial recognition of goodwill.

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 tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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 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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.19 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 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*, and respond to concerns regarding temporary accounting mismatch and volatility: 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 until the earlier of annual reporting periods beginning on or after 1 January 2023 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 2023 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 until 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 2015. There were no changes to the Company's activities after this date, hence no reassessment was required at subsequent reporting year-end.

The fair value information of the Company's directly held financial assets at 31 December 2021 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 2021 BND'000	Movement in the fair value during the year BND'000	Fair value at 31 December 2021 BND'000	Movement in the fair value during the year BND'000
Cash and cash equivalents	83,872	–	–	–
Other receivables	6,293	–	–	–
Sukuk/Debt securities	–	–	96,981	(3,069)
Investments in mutual funds	–	–	3,019	19
Available-for-sale equity securities	–	–	16,409	88
Total financial assets	90,165	–	116,409	(2,962)

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:

	Credit rating (from Standard & Poor's or equivalent)		
	A+ to A- BND'000	Below BBB- or not rated BND'000	Total BND'000
2021			
Cash and cash equivalents	83,792	80	83,872
Other receivables	–	6,293	6,293
	83,792	6,373	90,165

All of the above financial assets have low risk of default and hence they have low credit risk at the reporting date.

(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* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

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

The Company deems that revenue recognition for insurance contracts will fall under the scope of IFRS 17 Insurance Contracts which has been deferred for application until 1 January 2023.

(iii) IFRS 17 Insurance Contracts

IFRS 17 is set to replace IFRS 4 Insurance contracts. IFRS 17 requires an entity that issues insurance contracts to report them on the balance sheet as the total of:

a) The fulfilment cash flows, which are risk-adjusted, explicit, unbiased and probability-weighted estimate of the present value of future cash flows that will arise as the entity fulfils the contracts; and

b) The contractual service margin ("CSM"), which is the amount that represents the unearned profit that the entity will recognise in profit or loss as services are provided.

The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. IFRS 17 requires the entity to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be loss-making, at initial recognition.

Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the entity determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows are reflected in either profit or loss or OCI – or, in some cases, they adjust the CSM – depending on their nature.

IFRS 17 also requires disclosures, which, together with information presented in the primary financial statements to enable users of financial statements, will provide a basis for users of the entity's financial statements to assess the effects that insurance contracts have on its financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017, and effective for the Company for years beginning on 1 January 2023, and to be applied retrospectively. The standard will replace IFRS 4 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosure in the Company's financial statements. With the issuance of the revised IFRS 17 in June 2020, the IASB has confirmed the deferral of the effective date of IFRS17 to financial periods beginning 1 January 2023.

The Company is currently assessing the potential impact on its financial statements.

4 Segmental information

Statement of financial position As at 31 December	<------2021	------	------>	<------2020	------	------>
	Operator Fund BND'000	**Participant Fund BND'000**	**Total BND'000**	**Operator Fund BND'000**	**Participant Fund BND'000**	**Total BND'000**
Assets						
Cash and cash equivalents	48,105	35,767	83,872	44,035	135,212	179,247
Takaful receivables	–	14,637	14,637	–	10,877	10,877
Other receivables	5,480	858	6,338	1,428	(74)	1,354
Unexpired wakalah fees	–	10,134	10,134	–	9,124	9,124
Other investments	19,428	96,981	116,409	16,321	–	16,321
Ceded share of takaful contract liabilities	–	42,835	42,835	–	34,822	34,822
Balances with Brunei Darussalam Central Bank	2,000	–	2,000	2,000	–	2,000
Property and equipment	230	–	230	402	–	402
Total assets	75,243	201,212	276,455	64,186	189,961	254,147
Liabilities						
Takaful payables	–	13,415	13,415	–	11,233	11,233
Other payables	12,447	1,177	13,624	8,617	1,245	9,862
Lease liabilities	248	–	248	422	–	422
Takaful contract liabilities	–	120,799	120,799	–	115,244	115,244
Provision for zakat and taxation	1,597	–	1,597	865	–	865
Total liabilities	14,292	135,391	149,683	9,904	127,722	137,626
Participants' fund	–	65,821	65,821	–	62,239	62,239
Equity						
Share capital	11,421	–	11,421	11,421	–	11,421
Reserves	11,699	–	11,699	11,612	–	11,612
Retained earnings	37,831	–	37,831	31,249	–	31,249
Total shareholders' equity	60,951	–	60,951	54,282	–	54,282
Total equity and liabilities	75,243	201,212	276,455	64,186	189,961	254,147

4 Segmental information (continued)

Statement of profit or loss Year ended 31 December	**2021** Operator Fund BND'000	**2021** Participant Fund BND'000	**2021** Total BND'000	**2020** Operator Fund BND'000	**2020** Participant Fund BND'000	**2020** Total BND'000
Gross takaful contributions	–	83,075	83,075	–	75,225	75,225
Contributions ceded to retakaful	–	(25,307)	(25,307)	–	(24,172)	(24,172)
Net takaful contributions	–	57,768	57,768	–	51,053	51,053
Change in unearned contribution reserves	–	(4,732)	(4,732)	–	(10,398)	(10,398)
Change in unearned contribution reserves ceded to retakaful	–	2,752	2,752	–	8,149	8,149
Net earned contributions	–	55,788	55,788	–	48,804	48,804
Gross claims paid	–	(36,073)	(36,073)	–	(36,645)	(36,645)
Claims paid ceded to retakaful	–	10,185	10,185	–	15,151	15,151
Gross change to claims liabilities	–	(823)	(823)	–	(6,252)	(6,252)
Change to claims liabilities ceded to retakaful	–	4,046	4,046	–	1,912	1,912
Net claims	–	(22,665)	(22,665)	–	(25,834)	(25,834)
Wakalah income/(expense)	22,556	(22,556)	–	20,032	(20,032)	–
Amortisation of unexpired wakalah fees	–	1,010	1,010	–	998	998
Takaful profit	22,556	11,577	34,133	20,032	3,936	23,968
Investment income	1,516	886	2,402	1,674	932	2,606
Other operating income	7,280	–	7,280	1,665	(1)	1,664
Other income	8,796	886	9,682	3,339	931	4,270
Personnel expenses	(4,523)	–	(4,523)	(3,876)	–	(3,876)
Change in expense reserves	(3,634)	–	(3,634)	(1,075)	–	(1,075)
Finance cost	(25)	–	(25)	(35)	–	(35)
Other operating expenses	(14,404)	556	(13,848)	(14,130)	(296)	(14,426)
Other expenses	(22,586)	556	(22,030)	(19,116)	(296)	(19,412)
(Profit) attributable to participants' fund	–	(13,019)	(13,019)	–	(4,571)	(4,571)
Profit before zakat and taxation	8,766	–	8,766	4,255	–	4,255
Zakat	–	–	–	–	–	–
Tax expense	(1,218)	–	(1,218)	(538)	–	(538)
Profit for the year	7,548	–	7,548	3,717	–	3,717

5 Cash and cash equivalents

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Cash and bank balances	4,205	5,967	10,172
Short term deposits	43,900	29,800	73,700
	48,105	35,767	83,872
2020			
Cash and bank balances	2,435	103,612	106,047
Short term deposits	41,600	31,600	73,200
	44,035	135,212	179,247

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.

6 Takaful receivables

	General Takaful Fund BND'000
2021	
Amounts due from participants and brokers	14,637
Less: Allowances for doubtful receivables from participants and brokers	–
	14,637
2020	
Amounts due from participants and brokers	10,877
Less: Allowances for doubtful receivables from participants and brokers	–
	10,877

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:

	2021			2020		
	Gross BND'000	Allowance BND'000	Net BND'000	Gross BND'000	Allowance BND'000	Net BND'000
Not due	–	–	–	–	–	–
Up to 6 months	14,637	–	14,637	10,877	–	10,877
Above 6 months but not exceeding 12 months	–	–	–	–	–	–
Above 12 months	–	–	–	–	–	–
	14,637	–	14,637	10,877	–	10,877

The takaful 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.

7 Other receivables

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Amount due from immediate holding Company (non-trade)	4,309	–	4,309
Other receivables	616	(597)	19
Accrued income	432	1,455	1,887
Deposits	78	–	78
Prepayments	45	–	45
	5,480	858	6,338
2020			
Amount due from immediate holding Company (non-trade)	14	–	14
Other receivables	824	(829)	(5)
Accrued income	470	755	1,225
Deposits	83	–	83
Prepayments	37	–	37
	1,428	(74)	1,354

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

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

8 Unexpired wakalah fee

General Takaful Fund	2021 BND'000	2020 BND'000
As at 1 January	9,124	8,125
Wakalah fee paid during the year (note 18)	22,556	20,032
Amortisation of wakalah fee during the year	(21,546)	(19,033)
As at 31 December	10,134	9,124

Unexpired wakalah fee is current.

9 Other investments

2021	**Takaful Operator BND'000**	**General Takaful Fund BND'000**	**Total BND'000**
Fair value through profit or loss			
Sukuk / Debt securities	–	96,981	96,981
Investments in mutual funds	3,019	–	3,019
Investments at FVTPL	3,019	96,981	100,000
Available-for-sale			
Equity securities	16,409	–	16,409
Investments at FVOCI	16,409	–	16,409
Total	19,428	96,981	116,409
2020			
Available-for-sale			
Sukuk	–	–	–
Equity securities	16,321	–	16,321
	16,321	–	16,321

Investments at FVTPL
Sukuk discretionary mandates were executed during the year, managed by an external fund manager. Sukuks within the mandate are quoted debt securities. Equity securities relate to equity funds which contain quoted equity securities. Both portfolios were part of Board approved investment diversification strategies executed by management during the year.

Investments at FVOCI
Included in equity securities are shares held in a related party of BND$16,409,000 (2020: BND$16,321,000).

Other investments are allocated as follows:

	2021 BND'000	**2020 BND'000**
Non-current	16,409	16,321
Current	–	–
	16,409	16,321

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

10 Takaful contract liabilities

	General Takaful Fund		
	Gross BND'000	**Ceded share BND'000**	**Net BND'000**
2021			
Unexpired risk reserves	–	(23)	(23)
Unearned contribution reserves	43,422	(12,697)	30,725
	43,422	(12,720)	30,702
Provision for outstanding claims			
- Outstanding claims	16,504	(5,867)	10,637
- Outstanding claims incurred but not reported (IBNR)	60,873	(24,248)	36,625
	77,377	(30,115)	47,262
	120,799	(42,835)	77,964
2020			
Unexpired risk reserves	–	(32)	(32)
Unearned contribution reserves	38,690	(9,936)	28,754
	38,690	(9,968)	28,722
Provision for outstanding claims			
- Outstanding claims	21,340	(6,179)	15,161
- Outstanding claims incurred but not reported (IBNR)	55,214	(18,675)	36,539
	76,554	(24,854)	51,700
	115,244	(34,822)	80,422

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

The movements in takaful contract provisions are as follows:

	General Takaful Fund		
	Gross BND'000	**Ceded share BND'000**	**Net BND'000**
2021			
Unearned contribution reserves			
At 1 January	38,690	(9,936)	28,754
Contributions written	83,075	(25,307)	57,768
Contributions earned	(78,343)	22,546	(55,797)
At 31 December	43,422	(12,697)	30,725
Provision for outstanding claims			
At 1 January	76,554	(24,854)	51,700
Claims (paid)/recovered	(36,073)	10,185	(25,888)
Claims incurred	36,896	(15,446)	21,450
At 31 December	77,377	(30,115)	47,262

	Gross BND'000	Ceded share BND'000	Net BND'000
2020			
Unearned contribution reserves			
At 1 January	28,292	(1,792)	26,500
Contributions written	75,225	(24,172)	51,053
Contributions earned	(64,827)	16,028	(48,799)
At 31 December	38,690	(9,936)	28,754
Provision for outstanding claims			
At 1 January	70,301	(22,808)	47,493
Claims (paid)/recovered	(36,645)	15,151	(21,494)
Claims incurred	42,898	(17,197)	25,701
At 31 December	76,554	(24,854)	51,700

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

	General Takaful Fund		
	Gross BND'000	Ceded share BND'000	Net BND'000
2021			
Due within one year	6,830	(4,476)	2,354
Due after one through three years	7,793	(1,205)	6,588
Due after three through five years	1,735	(187)	1,548
Due after five years	61,019	(24,247)	36,772
	77,377	(30,115)	47,262
2020			
Due within one year	8,955	(4,804)	4,151
Due after one through three years	7,316	(128)	7,188
Due after three through five years	3,451	(706)	2,745
Due after five years	56,832	(19,216)	37,616
	76,554	(24,854)	51,700

11 Balances with Brunei Darussalam Central Bank

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 Brunei Darussalam Central Bank ("BDCB")

Under Section 4(1)(a) of the Motor Vehicle Insurance (Third Party Risks) Act, Chapter 90, the Company has placed a cash deposit of BND$1 million with BDCB.

12 Property and equipment

	Right-of-use assets BND'000
Cost	
At 1 January 2020	460
Additions	297
Disposals / Lease expiration	(168)
At 31 December 2020	589
Additions	–
Disposals / Lease expiration	–
At 31 December 2021	589
Accumulated depreciation and impairment losses	
At 1 January 2020	179
Depreciation	176
Disposals / Lease expiration	(168)
At 31 December 2020	187
Depreciation	172
Disposals / Lease expiration	–
At 31 December 2021	359
Carrying amounts	
At 1 January 2020	281
At 31 December 2020	402
At 31 December 2021	230

13 Takaful payables

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Amount due to:			
- retakaful companies	–	13,415	13,415
2020			
Amount due to:			
- retakaful companies	–	11,233	11,233

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

14 Other payables

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Advanced contributions from participants	–	964	964
Amount due to related companies (non-trade)	258	–	258
Accrued expenses	10,883	–	10,883
Other payables	1,306	213	1,519
	12,447	1,177	13,624
2020			
Advanced contributions from participants	–	1,040	1,040
Amount due to related companies (non-trade)	409	–	409
Accrued expenses	7,112	–	7,112
Other payables	1,096	205	1,301
	8,617	1,245	9,862

Other payables are all current.

15 Leases

Leases as lessee

The Company leases office space and equipment. The leases typically run for a period of one to five years. Lease payments are renegotiated before the lease expiry to reflect market rentals.

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low value items. The Company has elected not to recognise the right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below:

Right-of-use assets

Right-of-use assets related to leased properties are presented as property and equipment (see Note 12).

Lease liabilities

	2021 BND'000	2020 BND'000
Less than one year	184	174
One to five years	64	248
Total undiscounted lease liabilities at 31 December	248	422

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021 BND'000	2020 BND'000
Balance at 1 January	422	288
Changes from financing cash flows		
Payment of lease liabilities	(174)	(163)
Interest paid	(25)	(35)
Other changes		
New lease	–	297
Interest expense	25	35
Balance at 31 December	248	422
Current	184	174
Non-current	64	248
Lease liabilities included in the statement of financial position at 31 December	248	422

Amounts recognised in profit or loss

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

	2021 BND'000	2020 BND'000
Finance charges on lease liabilities	25	35
Depreciation of right-of-use assets	172	176
Expenses relating to short-term leases	80	80

Amounts recognised in statement of cash flows

	2021 BND'000	2020 BND'000
Total cash outflow for leases	199	198

16 Participants' fund

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

	BND'000
2021	
Unallocated surplus/accumulated surplus b/f	62,239
Profit attributable to takaful funds	13,019
Mudharabah surplus share to shareholders fund	(5,832)
Hibah paid to participants for the year	(4,116)
Reversal of expired liabilities	3
Other adjustments to tabarru	508
Movement in available for sale reserve attributable to participants	–
Net assets value attributable to unit holders c/f	65,821

	BND'000
2020	
Unallocated surplus/accumulated surplus b/f	61,194
Profit attributable to takaful funds	4,571
Hibah paid to participants for the year	(3,933)
Reversal of expired liabilities	380
Other adjustments to tabarru	27
Movement in available for sale reserve attributable to participants	–
Net assets value attributable to unit holders c/f	62,239

17 Capital and reserves

	2021 and 2020	
	Number of shares '000	Amount BND'000
Authorised		
Ordinary shares of BND$1 each	100,000	100,000
Issued and fully paid up		
Ordinary shares of BND$1 each	11,421	11,421

Ordinary shares

The holders 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.

	2021 BND'000	2020 BND'000
Available-for-sale reserve	11,699	11,612

Dividends

The following dividends were declared and paid by the Company:

For the year ended 31 December

	2021 BND'000	2020 BND'000
Paid by the Company to owners of the Company		
BND$0.085 per ordinary share (in respect of financial year 2020)	966	–
BND$0.06 per ordinary share (in respect of financial year 2019)	–	684
	966	684

After the respective reporting dates, the following dividends were proposed by the directors. These dividends have not been provided for:

	2021 BND'000	2020 BND'000
BND$0.1998 per ordinary share (2020: BND$0.085)	2,282	966

18 Wakalah fee

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Wakalah income	22,556	–	22,556
Wakalah expense	–	(22,556)	(22,556)
	22,556	(22,556)	–
2020			
Wakalah income	20,032	–	20,032
Wakalah expense	–	(20,032)	(20,032)
	20,032	(20,032)	–

19 Other operating income

	Takaful Operator BND'000	General Takaful Fund BND'000	Total BND'000
2021			
Mudharabah Surplus share	5,832	–	5,832
Other income	1,448	–	1,448
	7,280	–	7,280
2020			
Other income	1,665	(1)	1,664

20 Personnel expenses

	2021 BND'000	2020 BND'000
Salaries and bonus	3,769	3,160
Contributions to defined contribution plans	293	247
Other personnel expenses	461	469
	4,523	3,876

21 Profit for the year

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

		2021 BND'000	2020 BND'000
Agent commissions		6,979	6,829
Claims handling expenses		3,634	1,075
Contribution debtors written off		2,524	822
Investment management expenses		617	–
Depreciation	12	172	176
Legal, professional and audit fees		160	197
Finance costs lease charges		25	35
Provision for doubtful retakaful debtors		623	145
Recovery of doubtful retakaful debtors		(933)	(658)
Recovery of contribution debtors		(2,577)	(486)

22 Tax and zakat expenses

	2021 BND'000	2020 BND'000
Tax recognised in profit or loss		
Current tax expense		
Current year	1,597	865
Adjustment for prior years	(379)	(327)
	1,218	538
Total tax expense	1,218	538

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

	2021 BND'000	2020 BND'000
Profit before zakat and taxation	8,766	4,255
Income tax using the domestic corporate tax rate of 18.5% (2020: 18.5%)	1,622	787
Others	(404)	(249)
	1,218	538

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 of the Company are further consolidated into a larger group.

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

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:

	2021 BND'000	2020 BND'000
Short-term employee benefits		
Directors' fees and other remuneration	2	6
Other key management personnel:		
- Salary and employee benefits	587	650

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:

	2021 BND'000	2020 BND'000
Shareholder		
- Commission and fees paid/ payable	95	119

All short term deposits at respective year ends are held with related parties (note 5). Management fees of BND$5,800,000 (2020: BND$5,631,000) were paid to immediate holding company during the year.

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

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, geographical location and type of industry covered.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors such as the increase in the number of cases being heard in the court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through its underwriting strategy, retakaful arrangements and claims handling process.

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

General Takaful Fund

The key coverage for the General Takaful contracts

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

Concentration of General Takaful risk

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

	Gross BND'000	Ceded share BND'000	Net BND'000
General Takaful Fund			
2021			
Motor	43,503	(4,036)	39,467
Energy	15,324	(15,094)	230
Fire	4,400	(75)	4,325
Liability	6,727	(1,722)	5,005
Medical	5,033	(388)	4,645
Miscellaneous	8,088	(3,992)	4,096
	83,075	(25,307)	57,768
2020			
Motor	44,899	(3,721)	41,178
Energy	14,853	(14,615)	238
Fire	4,445	(1,468)	2,977
Liability	4,739	(953)	3,786
Miscellaneous	6,289	(3,415)	2,874
	75,225	(24,172)	51,053

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

Key assumptions

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

Incurred Bornheutter – Ferguson ("BF")

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

The key assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience, including average claim cost, average claim frequency, business mix for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, underwriting policy, policy conditions and claims handling procedures.

Effective from 1 January 2015, in the letter reference AMBDRS/TIU/P/25 dated 8 January 2016, the regulator BDCB specified that the valuation of the takaful contract liabilities is to be based upon management's current best estimate and to include a Risk Margin for Adverse Deviation (PAD). The effect of the change in the assumption, while holding other assumptions constant, resulted in an increase of BND$13,093,000 (2020: BND$12,816,000) in takaful contract liabilities.

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

Sensitivities

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

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities as at 31 December 2021, inclusive of the provision for adverse deviation (refer to "base scenario" in the sensitivity analysis table)

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

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

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are:
- Ultimate Loss Ratio;
- Maintenance Expense Rate; and
- Provision for Adverse Deviation ("PAD")

2021			
Net claim liabilities		**BND'000**	**BND'000**
Base scenario		**39,833**	**39,833**
	Change in assumptions	+10% points	-10% points
Assumptions			
Ultimate Loss Ratio		47,374	34,990
Maintenance Expense Rate		39,833	39,833
Provision for Adverse Deviation		39,833	39,833

2020			
Net claim liabilities		**BND'000**	**BND'000**
Base scenario		**43,600**	**43,600**
	Change in assumptions	+10% points	-10% points
Assumptions			
Ultimate Loss Ratio		65,132	35,958
Maintenance Expense Rate		43,600	43,600
Provision for Adverse Deviation		43,600	43,600

Claims development

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

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

Analysis of claims development – gross basis
Gross loss development tables as at 31 December 2021

Accident Year	2012 & Prior BND'000	2013 BND'000	2014 BND'000	2015 BND'000	2016 BND'000	2017 BND'000	2018 BND'000	2019 BND'000	2020 BND'000	2021 BND'000	Total BND'000
Estimate of ultimate claims cost:											
At end of accident year	–	27,730	26,118	27,494	39,912	26,144	27,262	30,561	30,069	36,074	
One year later	27,082	25,969	24,402	45,044	33,863	26,925	26,096	30,044	37,852	–	
Two years later	54,139	22,381	29,892	42,606	35,347	23,759	24,937	31,178	–	–	
Three years later	77,940	23,814	23,778	39,567	28,131	22,206	23,020	–	–	–	
Four years later	105,476	24,127	21,583	38,789	38,871	24,341	–	–	–	–	
Five years later	119,186	22,627	20,226	40,039	39,336	–	–	–	–	–	
Six years later	125,666	22,247	20,203	39,484	–	–	–	–	–	–	
Seven years later	124,535	23,068	20,289	–	–	–	–	–	–	–	
Eight years later	123,041	23,076	–	–	–	–	–	–	–	–	
Nine years later	119,956	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	119,956	23,076	20,289	39,484	39,336	24,341	23,020	31,178	37,852	36,074	394,606
Cumulative payments	119,043	22,840	19,936	38,744	36,186	21,210	17,320	19,697	23,492	11,854	330,322
Undiscounted outstanding claim liabilities	913	236	353	740	3,150	3,131	5,700	11,481	14,360	24,220	64,284
Discounted (Diversification Benefit)	(53)	(13)	(20)	(42)	(179)	(177)	(321)	(617)	(737)	(1,072)	(3,231)
Provision for adverse deviation	233	60	90	189	803	798	1,453	2,926	3,657	6,115	16,324
Outstanding claim liabilities	1,093	283	423	887	3,774	3,752	6,832	13,790	17,280	29,263	77,377
Gross claim liabilities											77,377

Analysis of claims development – net basis
Net loss development tables as at 31 December 2021

Accident Year	2012 & Prior BND'000	2013 BND'000	2014 BND'000	2015 BND'000	2016 BND'000	2017 BND'000	2018 BND'000	2019 BND'000	2020 BND'000	2021 BND'000	Total BND'000
Estimate of ultimate claims cost:											
At end of accident year	–	23,806	25,789	25,520	24,303	22,316	20,591	24,420	24,965	26,396	
One year later	26,501	22,072	22,720	25,672	19,498	19,364	20,290	25,021	24,586	–	
Two years later	48,499	19,634	22,064	23,077	19,528	17,928	20,190	23,786	–	–	
Three years later	68,228	17,824	20,426	21,589	17,254	18,261	19,773	–	–	–	
Four years later	90,391	16,569	19,149	21,384	16,116	17,210	–	–	–	–	
Five years later	97,086	15,540	18,393	20,739	16,342	–	–	–	–	–	
Six years later	101,580	14,921	17,822	20,762	–	–	–	–	–	–	
Seven years later	98,957	15,055	17,364	–	–	–	–	–	–	–	
Eight years later	100,492	14,914	–	–	–	–	–	–	–	–	
Nine years later	99,568	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	99,568	14,914	17,364	20,762	16,342	17,210	19,773	23,786	24,586	26,396	280,701
Cumulative payments	98,973	14,786	17,085	20,695	13,998	14,957	16,575	17,368	15,454	10,976	240,867
Undiscounted outstanding claim liabilities	595	128	279	67	2,344	2,253	3,198	6,418	9,132	15,420	39,834
Discounted (Diversification Benefit)	(35)	(8)	(16)	(4)	(138)	(131)	(185)	(407)	(518)	(864)	(2,306)
Provision for adverse deviation	147	32	68	18	579	549	777	1,716	2,185	3,663	9,734
Outstanding claim liabilities	707	152	331	81	2,785	2,671	3,790	7,727	10,799	18,219	47,262
Net claim liabilities											**47,262**

Analysis of claims development – gross basis
Gross loss development tables as at 31 December 2020

Accident Year	**2011 & Prior 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**	**2020 BND'000**	**Total BND'000**
Estimate of ultimate claims cost:											
At end of accident year	–	–	27,730	26,118	27,494	39,912	26,144	27,262	30,561	30,069	
One year later	–	27,082	25,969	24,402	45,044	33,863	26,925	26,096	29,673	–	
Two years later	28,653	25,487	22,381	29,892	42,606	35,347	23,759	24,937	–	–	
Three years later	51,000	26,940	23,814	23,778	39,567	28,131	22,206	–	–	–	
Four years later	79,495	25,981	24,127	21,583	38,789	38,871	–	–	–	–	
Five years later	93,669	25,516	22,627	20,226	40,039	–	–	–	–	–	
Six years later	102,111	23,554	22,247	20,203	–	–	–	–	–	–	
Seven years later	101,436	23,100	23,068	–	–	–	–	–	–	–	
Eight years later	99,580	23,461	–	–	–	–	–	–	–	–	
Nine years later	98,841	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**98,841**	**23,461**	**23,068**	**20,203**	**40,039**	**38,871**	**22,206**	**24,937**	**29,673**	**30,069**	**351,368**
Cumulative payments	96,049	21,610	22,075	19,458	35,600	34,821	16,059	14,628	17,064	10,266	287,630
Undiscounted outstanding claim liabilities	2,792	1,851	993	745	4,439	4,050	6,147	10,309	12,609	19,803	63,738
Provision for adverse deviation	595	390	200	147	872	803	1,204	2,071	2,572	3,962	12,816
Outstanding claim liabilities	3,387	2,241	1,193	892	5,311	4,853	7,351	12,380	15,181	23,765	76,554
Gross claim liabilities											**76,554**

Analysis of claims development – net basis
Net loss development tables as at 31 December 2020

Accident Year	2011 & Prior 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	2020 BND'000	Total BND'000
Estimate of ultimate claims cost:											
At end of accident year	–	–	23,806	25,789	25,520	24,303	22,316	20,591	24,420	24,965	
One year later	–	26,501	22,072	22,720	25,672	19,498	19,364	20,290	24,587	–	
Two years later	24,181	24,318	19,634	22,064	23,077	19,528	17,928	20,190	–	–	
Three years later	45,019	23,208	17,824	20,426	21,589	17,254	18,261	–	–	–	
Four years later	67,507	22,884	16,569	19,149	21,384	16,116	–	–	–	–	
Five years later	77,503	19,582	15,540	18,393	20,739	–	–	–	–	–	
Six years later	83,696	17,884	14,921	17,822	–	–	–	–	–	–	
Seven years later	81,224	17,733	15,055	–	–	–	–	–	–	–	
Eight years later	82,505	17,987	–	–	–	–	–	–	–	–	
Nine years later	83,108	–	–	–	–	–	–	–	–	–	
Ten years later	–	–	–	–	–	–	–	–	–	–	
Estimate of ultimate claims cost	**83,108**	**17,987**	**15,055**	**17,822**	**20,739**	**16,116**	**18,261**	**20,190**	**24,587**	**24,965**	**258,830**
Cumulative payments	81,938	16,771	15,029	17,303	18,311	13,025	13,083	14,320	15,872	10,041	215,693
Undiscounted outstanding claim liabilities	1,170	1,216	26	519	2,428	3,091	5,178	5,870	8,715	14,924	43,137
Provision for adverse deviation	255	263	36	101	465	628	1,006	1,127	1,788	2,894	8,563
Outstanding claim liabilities	1,425	1,479	62	620	2,893	3,719	6,184	6,997	10,503	17,818	51,700
Net claim liabilities											**51,700**

25 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Audit Committee.

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, and arises principally from the Company's cash and cash equivalents and other investments.

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

The Company has takaful and other receivables balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, the Company has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. Receivable balances are monitored on an ongoing basis with the result that Company's exposure to bad debts is not significant. The Company also periodically reviews the financial stability of retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

The Company held short term deposits of BND$73,700,000 at 31 December 2021 (31 December 2020: BND$73,200,000) 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- (2020: A-).

Credit exposure

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

The following table presents an analysis of the credit quality of debt investments at FVTPL.

Credit Rating	**2021 FVTPL BND'000**	**2020 FVTPL BND'000**
Quoted sukuks		
BBB- to AAA	88,104	-
Unrated	7,902	-
Gross carrying amounts	96,006	-

Aging analysis of financial assets

See note 6 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 objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management of liquidity risks

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.

Exposure to liquidity risks

The analysis of the estimated timing of cash outflows are shown in the respective notes as follows:

Insurance contract provisions	*Note 10*
Other payables	*Note 14*
Lease liabilities	*Note 15*

Due to the nature of its business, the Company's premium and claims liabilities which comprise provision for unexpired risks and provision for outstanding claims are likely to materialise fully within 10 years.

c) Market risk

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

i) Profit rate risk

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

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

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

While the Company's cash and cash equivalents earn a nominal profit sum, this does not represent a significant concentration of profit rate risk. As such, no sensitivity has been performed.

ii) Foreign currency risk

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

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

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

The summary quantitative data about the exposure to currency risk is as follows:

	2021 BND'000	2020 BND'000
Cash and cash equivalents	2,385	–
Other investments	99,025	–
Net statement of financial position exposure	101,410	–

Sensitivity analysis

A reasonably possible strengthening (weakening) of the BND, as indicated below against the USD at 31 December 2021 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	2021 BND'000	2020 BND'000
USD (10% strengthening)	10,141	–
USD (10% weakening)	10,141	–

iii) Price risk

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

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

The following table analyses fair value measurements for financial instruments, by valuation method. The different levels have been defined 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 carrying amount BND'000**	**Level 1 BND'000**	**Level 2 BND'000**	**Level 3 BND'000**	**Total BND'000**
2021											
Financial assets measured at fair value											
Other investments	9	100,000	–	–	16,409	–	116,409	–	100,000	16,409	116,409
		100,000	–	–	16,409	–	116,409				
Financial assets not measured at fair value											
Cash and cash equivalents	5	–	–	83,872	–	–	83,872				
Other receivables*	7	–	–	6,293	–	–	6,293				
Balances with Brunei Darussalam Central Bank	11	–	–	2,000	–	–	2,000				
		–	–	92,165	–	–	92,165				
Financial liabilities not measured at fair value											
Other payables	14	–	–	–	–	13,624	13,624				
Lease liabilities	15	–	–	–	–	248	248				
		–	–	–	–	13,872	13,872				

*This figure excludes prepayments

During the financial year, there have been no transfers between Level 1, 2 and 3.

	Note	Carrying amount						Fair value			
		FVTPL BND'000	**Held to maturity BND'000**	**Financing and advances BND'000**	**Available-for-sale BND'000**	**Other financial liabilities BND'000**	**Total carrying amount BND'000**	**Level 1 BND'000**	**Level 2 BND'000**	**Level 3 BND'000**	**Total BND'000**
2020											
Financial assets measured at fair value											
Other investments	9	–	–	–	16,321	–	16,321	–	–	16,321	16,321
		–	–	–	16,321	–	16,321				
Financial assets not measured at fair value											
Cash and cash equivalents	5	–	–	179,247	–	–	179,247				
Other receivables*	7	–	–	1,317	–	–	1,317				
Balances with Authoriti Monetari Brunei Darussalam	11	–	–	2,000	–	–	2,000				
		–	–	182,564	–	–	182,564				
Financial liabilities not measured at fair value											
Other payables	14	–	–	–	–	9,862	9,862				
Lease liabilities	15	–	–	–	–	422	422				
		–	–	–	–	10,284	10,284				

*This figure excludes prepayments

During the financial year, there have been no transfers between Level 1, 2 and 3.

iv) Measurement of fair value

a) Valuation techniques and significant unobservable inputs used

The following table shows the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Equity securities	Market comparison technique: The valuation model is based on market multiples derived from price-to-book [PB] ratio of comparable companies to investee, adjusted for the non-marketability of the equity investee.	- Adjusted market multiple	The estimated fair value would increase (decrease) if the adjusted multiple are higher (lower)
		- Liquidity discount	The estimated fair value would increase (decrease) if the liquidity discount is lower (higher)

Financial instruments not measured at fair value

Type	Valuation Technique
Other financial assets and liabilities*	The carrying amount of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period of maturity.

* Other financial assets and liabilities include takaful and other receivables, balances with Brunei Darussalam Central Bank, cash and cash equivalents and takaful and other payables.

b) Level 3 recurring fair value

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.

	Equities BND'000	Total BND'000
2021		
Balance at 1 January	16,321	16,321
Total unrealised gains or losses in OCI	88	88
Balance at 31 December	16,409	16,409

2020	**Equities BND'000**	**Total BND'000**
Balance at 1 January	20,183	20,183
Total unrealised gains or losses in OCI	(3,862)	(3,862)
Balance at 31 December	16,321	16,321

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:

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

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

The Company was in compliance (2020: 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.