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

Annual Report  
Year ended 31 December 2022

**TAKAFUL BRUNEI KELUARGA SDN BHD****REPORT OF THE DIRECTORS**

The directors have pleasure in submitting their annual report and audited financial statements for the financial year ended 31 December 2022.

**PRINCIPAL ACTIVITIES**

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

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

**RESULTS**

	BND'000
Retained earnings at the beginning of the year	15,178
Profit for the year	1,551
Dividends paid	<u>(892)</u>
Retained earnings at the end of the year	<u>15,837</u>

**STATEMENT BY DIRECTORS**

We certify that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended 31 December 2022.

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

**DIVIDENDS**

The amount of dividends paid by the Company during the year were as follows:

	BND'000
In respect of the financial years ended 31 December 2021:	892
Final dividend of BND\$0.1115 per ordinary share	

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2022 of BND\$0.039 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 Mohd Amin  
Liew bin Abdullah (Chairman)

Yang Mulia Awang Haji Maswadi bin Haji Mohsin

Yang Mulia Dr Awang Abdul Nasir bin Haji Abdul Rani

Yang Mulia Awang Junaidi bin Haji Masri

Yang Mulia Awang Haji Sofian bin Haji Mohamad Jani

Yang Mulia Awang Haji Shahrildin bin Pehin Orang Kaya  
Lela Utama Dato Paduka Haji Jaya

## 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 and receivable by directors, or the fixed salary of a full time employee of the Company as disclosed in Note 21 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.

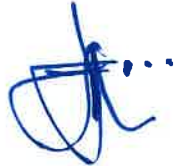
## DIRECTORS' INTERESTS

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



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



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

Brunei Darussalam

Date: 29 MAR 2023

## REPORT OF THE SHARIAH ADVISORY BODY

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

To The Shareholders of Takaful Brunei Keluarga Sdn Bhd

**السلام عليكم ورحمة الله وبركاته**

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Takaful Brunei Keluarga Sdn Bhd during the year ended 31 December 2022. We have also conducted our review to form an opinion as to whether Takaful Brunei Keluarga Sdn Bhd has complied with Shariah Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us.

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

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

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

In our opinion:

- a) The contracts, transactions and dealings entered into by Takaful Brunei Keluarga Sdn Bhd during the financial period ending 31 December 2022 that we have reviewed are in compliance with the Shariah Rules and Principles;
- b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah Rules and Principles;
- c) All earnings that have been realised from sources or by means prohibited by Shariah Rules and Principles have been separated and considered for disposal to charitable causes; and
- d) The calculation of Zakat is in compliance with Shariah Rules and Principles.

We pray to Allah *Subhanahu Wa Ta'ala* to assist everyone to act in accordance with the rulings of Islamic finance and to keep away from carrying out any transactions that are prohibited by Allah *Subhanahu Wa Ta'ala*. May Allah *Subhanahu Wa Ta'ala* bless us with the best *taufiq* and *hidayah* to accomplish these cherished tasks, make us successful and forgive us in this world and in the hereafter. Aamin.

والله ولي التوفيق والهداية

Signed on behalf of the Shariah Advisory Body in accordance with a resolution of the members,



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

Shariah Advisory Body Members in office during the financial year end and at the date of this report are:

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

Yang Mulia Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof

Yang Mulia Dr Dayang Noryati binti Haji Ibrahim

Yang Mulia Haji Awang Mohammad Sofian bin Awang Tengah

**Brunei Darussalam**

Date: 29 MAR 2023



كي . في . عيم . جي .

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

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

## Independent Auditors' Report

To the Shareholders of Takaful Brunei Keluarga Sdn Bhd

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Takaful Brunei Keluarga Sdn Bhd ("the Company"), which comprise the statement of financial position of the Company as at 31 December 2022, 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 2022, and of its financial performance and its cash flows for the year then ended.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

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

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

*KPMG*

**KPMG**

*Certified Public Accountants*

*Sufian bin Zainul Abidin*

**Sufian bin Zainul Abidin**

*Public Accountant*

**Brunei Darussalam**

**29 March 2023**

**Financial statements**  
**Contents**

Statement of financial position	FS1
Statement of profit or loss	FS2
Statement of comprehensive income	FS4
Statement of changes in equity	FS5
Statement of cash flows	FS6
Notes to the financial statements	FS7 – FS63

**Statement of financial position**  
**As at 31 December 2022**

	Note	2022 BND'000	2021 BND'000
<b>Assets</b>			
Cash and cash equivalents	5	63,743	66,552
Takaful receivables	6	195	627
Other receivables	7	878	874
Unexpired wakalah fee	8	28	204
Other investments	9	65,321	62,155
Ceded share of takaful contract liabilities	10	300	32
Balances with Brunei Darussalam Central Bank	11	1,000	1,000
<b>Total assets</b>		131,465	131,444
<b>Liabilities</b>			
Takaful payables	12	731	1,029
Other payables	13	8,331	4,344
Takaful contract liabilities	10	29,918	32,267
Provision for zakat and taxation		320	670
<b>Total liabilities</b>		39,300	38,310
Participants' fund	14	64,768	66,496
<b>Equity</b>			
Share capital	15	8,000	8,000
Reserves	15	3,560	3,460
Retained earnings		15,837	15,178
<b>Total shareholders' equity</b>		27,397	26,638
<b>Total equity and liabilities</b>		131,465	131,444

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

**Statement of profit or loss**  
**Year ended 31 December 2022**

	Note	2022 BND'000	2021 BND'000
Gross takaful contributions	10	17,747	17,476
Contributions ceded to retakaful	10	82	(484)
<b>Net takaful contributions</b>		<u>17,829</u>	<u>16,992</u>
Change in unearned contribution reserves		468	1,583
Change in unearned contribution reserves ceded to retakaful		—	(111)
<b>Net movement in unearned contribution reserves</b>		<u>468</u>	<u>1,472</u>
<b>Net earned contributions</b>		<u>18,297</u>	<u>18,464</u>
Wakalah income	16	5,421	5,132
Gross claims paid	10	(7,850)	(6,208)
Claims paid ceded to retakaful	10	3	162
Gross change to claims liabilities		1,978	(655)
Change to claims liabilities ceded to retakaful		269	(79)
<b>Net claims</b>		<u>(5,600)</u>	<u>(6,780)</u>
Wakalah expense	16	(5,421)	(5,132)
Amortisation of unexpired wakalah fees		(177)	(674)
<b>Takaful profit</b>		<u>12,520</u>	<u>11,010</u>
Investment income		(2,909)	1,508
Other operating income	17	20	39
<b>Other income</b>		<u>(2,889)</u>	<u>1,547</u>
Personnel expenses	18	(862)	(662)
Change in expense reserves		357	1,238
Other operating expenses		(4,035)	(4,104)
<b>Other expenses</b>		<u>(4,540)</u>	<u>(3,528)</u>
<b>(Profit) attributable to participants' fund</b>	14	(3,366)	(5,561)
<b>Profit before zakat and taxation</b>		1,725	3,468
Zakat	20	—	—
Tax expense	20	(174)	(603)
<b>Profit for the year</b>	19	<u>1,551</u>	<u>2,865</u>

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 2022 and the financial performance for the year ended 31 December 2022.



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: **29 MAR 2023**

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

**Statement of comprehensive income**  
**Year ended 31 December 2022**

	Note	2022 BND'000	2021 BND'000
<b>Profit for the year</b>	19	1,551	2,865
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Net change in fair value of available-for-sale financial assets		100	37
Net change in fair value of available-for-sale financial assets attributable to participants' funds	14	74	28
<b>Total comprehensive income for the year</b>		1,725	2,930

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

**Statement of changes in equity**  
**Year ended 31 December 2022**

<b>Attributable to the owners of the Company</b>					
	Note	Share capital BND'000	Available- for-sale reserve BND'000	Retained earnings BND'000	Total BND'000
<b>At 1 January 2021</b>		8,000	3,423	12,780	24,203
<b>Total comprehensive income for the year</b>					
Profit for the year		–	–	2,865	2,865
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of tax		–	37	–	37
<b>Total other comprehensive income</b>		–	37	–	37
<b>Total comprehensive income for the year</b>		–	37	2,865	2,902
<b>Contributions by and distributions to owners</b>					
Dividends paid on ordinary shares	15	–	–	(467)	(467)
<b>At 31 December 2021/ At 1 January 2022</b>		8,000	3,460	15,178	26,638
<b>Total comprehensive income for the year</b>					
Profit for the year		–	–	1,551	1,551
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of tax		–	100	–	100
<b>Total other comprehensive income</b>		–	100	–	100
<b>Total comprehensive income for the year</b>		–	100	1,551	1,651
<b>Contributions by and distributions to owners</b>					
Dividends paid on ordinary shares	15	–	–	(892)	(892)
<b>At 31 December 2022</b>		8,000	3,560	15,837	27,397

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

**Statement of cash flows**  
**Year ended 31 December 2022**

	Note	2022 BND'000	2021 BND'000
<b>Cash flows from operating activities</b>			
Profit for the year		1,551	2,865
<b>Adjustments for:</b>			
Dividend income		(866)	(866)
Tax expense	20	174	603
Decrease in fair value of other investments		4,508	1,537
		5,367	4,139
<b>Changes in:</b>			
Takaful and other receivables		428	857
Takaful and other payables		3,689	(1,906)
Takaful contract liabilities		(2,441)	41
Participants' funds		(1,802)	5,618
		5,241	8,749
<b>Cash generated from operations</b>		5,241	8,749
Income tax paid		(524)	(242)
<b>Net cash from operating activities</b>		4,717	8,507
<b>Cash flows from investing activities</b>			
Dividend received		866	866
Acquisition of other investments		(7,500)	(51,550)
<b>Net cash used in investing activities</b>		(6,634)	(50,684)
<b>Cash flows from financing activities</b>			
Dividends paid	15	(892)	(467)
<b>Net cash used in financing activities</b>		(892)	(467)
<b>Net decrease in cash and cash equivalents</b>		(2,809)	(42,644)
Cash and cash equivalents at 1 January		66,552	109,196
<b>Cash and cash equivalents at 31 December</b>	5	63,743	66,552

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 29 March 2023.

### 1 Domicile and activities

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

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

The financial statements of the Company as at and for the year ended 31 December 2022 do not include other entities.

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

### 2 Basis of preparation

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The 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 Family Takaful Fund are supplementary financial information presented in accordance with the requirements of Takaful Order, 2008 (“TO”) in Brunei to present assets, liabilities, income and expenses of takaful funds from its own. The statements of financial position and profit or loss and comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the takaful funds managed by it. The statements of financial position and profit or loss and comprehensive income of the Family Takaful Fund include only the assets, liabilities, income and expenses of the Family Takaful Fund that is set up, managed and controlled by the Takaful Operator.

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 to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

Note 22 – Takaful risk management

Note 23(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 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 fall into 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 22 – Takaful risk management and Note 23 – 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 2022:

- Amendment to IFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to IFRS 3: *Reference to the Conceptual Framework*
- Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Annual Improvements to *IFRSs 2018-2020*

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 retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are 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 sukuk and investment in mutual funds.

#### *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 comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are

excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents.

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are 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.

#### *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 transactions 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 legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

### 3.4 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3.5 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) *Short term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3.6 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 Family Takaful Funds (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



### **3.7 Family Takaful Fund**

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

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

(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 contributions reserve ("UCR") of Takaful Family Fund represents the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period. The provision for UCR at each reporting date is calculated using the 1/365 method on written contribution for family 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 and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the Company is notified. Claims and provisions for claims arising on individual family takaful certificates, including settlement costs, are accounted for using the

gross premium valuation method where the liability is calculated as the present value of future benefits less the present value of future contributions.

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

- (a) maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates;
- (b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered; and
- (c) provision is made for the cost of claims, together with related expenses, incurred but not reported (“IBNR”) at the reporting date, using a mathematical method of estimation where historical claims experience are used to project future claims. This is based on management’s best estimates. As with all projections, there are elements of uncertainty and the projected claim may be different from actual.

(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.

### **3.8 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 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 Family Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Family Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

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

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised

based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective profit method when accrued.

*Assumed retakaful risks*

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

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

**3.9 Participants' fund**

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

**3.10 Expenses liability**

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

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

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

*Expenses liability of Family Takaful Fund*

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

### 3.11 Commission expenses

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

#### *Mudharabah policies*

Commission expenses are borne by the Family Takaful funds with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as approved 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.

### 3.12 Wakalah fee

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

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

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

Family takaful	38% (2021: 38%)
As-Syifa takaful	24% (2021: 24%)

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

Nur savings (Hybrid wakalah)	35% (2021: 35%)
Mawaadah & Takaful Cahaya Mata (Modified wakalah)	40% (2021: 40%)

#### **Surplus Wakalah Fee**

The Surplus Wakalah Fee model and contract allows for the distribution of profit (surplus) attributable to participants funds arisen from the year to the Takaful Operator as an incentive for continuously ensuring the Takaful funds are managed in a responsible and sustainable manner. Surplus Wakalah Fee is only applicable in the scenario where the funds are achieving profits (surplus) in a particular year. The surpluses are actuarially appraised annually. It is declared subsequent to every year end as part of the annual surplus distribution policy approved by the Shariah Advisory Body, which includes the surplus distribution to participants in the form of hibah. In accordance with the terms of the contract, the maximum surplus wakalah fee that can be declared

to the Takaful Operator cannot exceed 50% of the annual profits (surplus) in any year. The Surplus Wakalah Fee is paid out to the Takaful Operator subsequent to its appraisal year and the accounting recognition is therefore to recognise it as an income to the Takaful Operator in the year it is declared and paid. No accrual of Surplus Wakalah Fee is recognised since it is only recognised in the period that declaration of the surplus distribution is made. The Surplus Wakalah Fee model is only applicable for takaful contracts entered with the participants from 1 January 2021 onwards.

### **3.13 Profit sharing contracts**

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

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

The net surplus sharing ratio of the Company and participants is as follows:

Group Family (Annual policies)	50% (2021: 50%)
Family Savings & Financing	30% (2021: 30%)
Nur Savings (Hybrid wakalah)	30% (2021: 30%)
Mawaadah & Takaful Cahaya Mata (Modified wakalah)	40% (2021: 40%)

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

### **3.14 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.

### **3.15 Zakat**

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

### **3.16 Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in 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.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

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.

### **3.17 New standards and interpretations not adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

**(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-Current**

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company is closely monitoring the developments.

**(ii) 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 2022 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:

	<b>Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9</b>		<b>All other financial assets</b>	
	<b>Fair value at 31 December 2022</b>	<b>Movement in the fair value during the year</b>	<b>Fair value at 31 December 2022</b>	<b>Movement in the fair value during the year</b>
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
Cash and cash equivalents	63,743	–	–	–
Other receivables	878	–	–	–
Available-for-sale equity securities	–	–	65,321	174
<b>Total financial assets</b>	<b>64,621</b>	<b>–</b>	<b>65,321</b>	<b>174</b>

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



	<b>Credit rating (from Standard &amp; Poor's or equivalent)</b>		
	<b>Below</b>		
	<b>A+ to A-</b>	<b>BBB- or</b>	<b>Total</b>
	<b>BND'000</b>	<b>not rated</b>	<b>BND'000</b>
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
<b>2022</b>			
Cash and cash equivalents	63,707	36	63,743
Other receivables	–	878	878
	63,707	914	64,621

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

**(iii) 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.

**(iv) IFRS 17 Insurance Contracts**

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

***Estimated Impact of the adoption of IFRS 17 and IFRS 9***

The Company is in the process of estimating the impact of adopting IFRS 17 and IFRS 9 on its financial statements for the year ending 31 December 2023. The transition work has not been finalised and the eventual impact of adopting IFRS 17 and IFRS 9 may change because:

- The Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- The Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and

- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

#### **i. Identifying contracts in the scope of IFRS 17**

IFRS17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

If a contract contains distinct non-insurance elements, the Company will not include the non-insurance components for purposes of measurement under IFRS 17. However, the Company does not issue any reinsurance contracts or insurance contracts with distinct non-insurance elements.

#### **ii. Level of aggregation**

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (“CSM”), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

#### **iii. Contract boundaries**

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the

contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

#### **Insurance contracts**

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

#### **Reinsurance contracts**

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

#### **IV. Measurement – Overview**

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are expected to be classified as contracts without direct participation features.

#### **V. Measurement - Significant judgements and estimates**

##### **Estimates of future cash flows**

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

##### **Discount rates**

Under IFRS 17 the estimated future cash flows are to be adjusted to reflect the time value of money and the related financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows shall:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

### **Risk adjustments for non-financial risk**

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for different portfolios based on an analysis of the risk profiles of the groups. They will be determined by a confidence level technique. Direct contract and reinsurance contract held will be assessed separately.

Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

### **CSM**

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

The Company will determine the quantity of the benefits provided under each contract as follows. The Company is expecting to recognise CSM on the operator portion of the takaful contract. There is no CSM recognised in the risk fund (tabarru') portion of the contract. The Company expects to recognise surpluses arising from the risk fund as Liability for Incurred Claims (LIC) and B71 Liability in accordance with the standard practice for Takaful contracts and in accordance with our interpretation of the Standard which allows insurers the choice of accounting treatment.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Company will generally consider the selling prices for the services had they been offered on a stand-alone basis and adjust the quantity of benefits for each service in

proportion to those standalone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Company sells that service separately to policyholders with similar characteristics.

#### **vi. Presentation and disclosure**

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- (a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

#### **Insurance service result**

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage. Which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts. The requirements in IFRS 17 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. As a result, the Company expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as net expenses from reinsurance contracts in the insurance service result, but information about these will be included in the disclosures.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

#### **Insurance finance income and expenses**

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

If the Company derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract will be reclassified to profit or loss as a reclassification adjustment.

For Non-life contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

#### **VII. Transition**

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will;

- identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts).

However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach. The Company expects to adopt the fair value approach for the TBK family takaful business given its long tail nature of business.

##### **(i) IFRS 9 Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for

annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

## **I. Financial assets – Classification**

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets - measured at amortised cost, FVOCI and FVTPL- and eliminates the previous IAS 39 categories of held-to-maturity investments and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

## **II. Financial Assets – Impairment**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Company's financial assets measured at amortised cost.



IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables will always be measured at an amount equal to lifetime ECL.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information. As a backstop, the Company will consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

#### **Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The Company recognises loss allowances for ECL on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### *General approach*

The Company applies the general approach to provide for ECLs on all financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written

off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### **III. Financial liabilities**

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows.

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.
- The remaining amount of the change in the fair value will be presented in profit or loss.

### **IV. Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below.

- The comparative period will be restated. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023; however, the Company will elect to apply the classification overlay in IFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets. By using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.
- The following assessments have to be made on the basis of the facts and circumstances that exist at 1 January 2023
  - the determination of the business model within which a financial asset is held;
  - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - the designation of certain investments in equity instruments not held for trading as at FVOCI.
  - If a financial asset has low credit risk at 1 January 2023, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

### **V. Others**

The following amendments to IFRSs are not expected to have a significant impact on the Company's statement of financial position.

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to IAS 8: *Definition of Accounting Estimates*

**4 Segmental information**

Statement of financial position As at 31 December	2022		2021	
	Operator Fund BND'000	Participant Fund BND'000	Operator Fund BND'000	Participant Fund BND'000
			<b>Total</b>	<b>Total</b>
			<b>BND'000</b>	<b>BND'000</b>
<b>Assets</b>				
Cash and cash equivalent	21,320	42,423	63,743	44,815
Takaful receivables	—	195	195	627
Other receivables	693	185	878	874
Unexpired wakalah fees	—	28	28	204
Other investments	9,495	55,826	65,321	53,648
Ceded share of takaful contract liabilities	—	300	300	32
Balances with Brunei Darussalam Central Bank	1,000	—	1,000	—
<b>Total assets</b>	<b>32,508</b>	<b>98,957</b>	<b>131,465</b>	<b>100,063</b>
<b>Liabilities</b>				
Takaful payables	—	731	731	1,029
Other payables	4,791	3,540	8,331	4,344
Takaful contract liabilities	—	29,918	29,918	32,267
Provision for zakat and taxation	320	—	320	670
<b>Total liabilities</b>	<b>5,111</b>	<b>34,189</b>	<b>39,300</b>	<b>33,567</b>
<b>Participants' fund</b>	<b>—</b>	<b>64,768</b>	<b>64,768</b>	<b>66,496</b>
<b>Equity</b>				
Share capital	8,000	—	8,000	—
Reserves	3,560	—	3,560	3,460
Retained earnings	15,837	—	15,837	15,178
<b>Total shareholders' equity</b>	<b>27,397</b>	<b>—</b>	<b>27,397</b>	<b>26,638</b>
<b>Total equity and liabilities</b>	<b>32,508</b>	<b>98,957</b>	<b>131,465</b>	<b>100,063</b>

#### 4 Segmental information (continued)

Statement of profit or loss Year ended 31 December	2022			2021		
	Operator Fund BND'000	Participant Fund BND'000	Total BND'000	Operator Fund BND'000	Participant Fund BND'000	Total BND'000
Gross takaful contributions	–	17,747	17,747	–	17,476	17,476
Contributions ceded to retakaful	–	82	82	–	(484)	(484)
Net takaful contributions	–	17,829	17,829	–	16,992	16,992
Change in unearned contribution reserves	–	468	468	–	1,583	1,583
Change in unearned contribution reserves ceded to retakaful	–	–	–	–	(111)	(111)
<b>Net earned contributions</b>	–	18,297	18,297	–	18,464	18,464
Gross claims paid	–	(7,850)	(7,850)	–	(6,208)	(6,208)
Claims paid ceded to retakaful	–	3	3	–	162	162
Gross change to claims liabilities	–	1,978	1,978	–	(655)	(655)
Change to claims liabilities ceded to retakaful	–	269	269	–	(79)	(79)
<b>Net claims</b>	–	(5,600)	(5,600)	–	(6,780)	(6,780)
Wakalah income/(expense)	5,421	(5,421)	–	5,132	(5,132)	–
Amortisation of unexpired wakalah fees	–	(177)	(177)	–	(674)	(674)
<b>Takaful profit</b>	5,421	7,099	12,520	5,132	5,878	11,010
Investment income	56	(2,965)	(2,909)	668	840	1,508
Share of profit	265	(265)	–	123	(123)	–
Other operating income	17	3	20	36	3	39
<b>Other income</b>	338	(3,227)	(2,889)	827	720	1,547
Personnel expenses	(862)	–	(862)	(662)	–	(662)
Change in expense reserves	357	–	357	1,238	–	1,238
Other operating expenses	(3,529)	(506)	(4,035)	(3,067)	(1,037)	(4,104)
<b>Other expenses</b>	(4,034)	(506)	(4,540)	(2,491)	(1,037)	(3,528)
<b>(Profit) attributable to participants' fund</b>	–	(3,366)	(3,366)	–	(5,561)	(5,561)
<b>Profit before zakat and taxation</b>	1,725	–	1,725	3,468	–	3,468
Zakat	–	–	–	–	–	–
Tax expense	(174)	–	(174)	(603)	–	(603)
<b>Profit for the year</b>	1,551	–	1,551	2,865	–	2,865

## 5 Cash and cash equivalents

	<b>Takaful Operator BND'000</b>	<b>Family Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2022</b>			
Cash and bank balances	1,520	4,143	5,663
Short term deposits	19,800	38,280	58,080
	21,320	42,423	63,743
<b>2021</b>			
Cash and bank balances	1,237	3,735	4,972
Short term deposits	20,500	41,080	61,580
	21,737	44,815	66,552

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

	<b>Family Takaful Fund BND'000</b>
<b>2022</b>	
Amounts due from participants and brokers	818
Less: Allowances for doubtful receivables from participants and brokers	(623)
	195
<b>2021</b>	
Amounts due from participants and brokers	1,260
Less: Allowances for doubtful receivables from participants and brokers	(633)
	627

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:

	2022			2021		
	Gross BND'000	Allowance BND'000	Net BND'000	Gross BND'000	Allowance BND'000	Net BND'000
Not due	—	—	—	1	—	1
Up to 6 months	195	—	195	626	—	626
Above 6 months but not exceeding 12 months	194	(194)	—	415	(415)	—
Above 12 months	429	(429)	—	218	(218)	—
	818	(623)	195	1,260	(633)	627

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

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

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

	2022 BND'000	2021 BND'000
At 1 January	633	86
Impairment losses made on takaful receivables	533	1,030
Recovery of bad and doubtful takaful receivables	(543)	(483)
At 31 December	<u>623</u>	<u>633</u>

## 7 Other receivables

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
<b>2022</b>			
Other receivables	—	(6)	(6)
Accrued income	131	735	866
Deposits	2	—	2
Prepayments	16	—	16
	<u>149</u>	<u>729</u>	<u>878</u>
<b>2021</b>			
Other receivables	(44)	97	53
Accrued income	163	640	803
Deposits	2	—	2
Prepayments	16	—	16
	<u>137</u>	<u>737</u>	<u>874</u>

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

## 8 Unexpired wakalah fee

<b>Family Takaful Fund</b>	<b>2022</b> <b>BND'000</b>	<b>2021</b> <b>BND'000</b>
At 1 January	204	879
Wakalah fee paid during the year (note 16)	5,421	5,132
Amortisation of wakalah fee during the year	(5,597)	(5,807)
At 31 December	28	204

Unexpired wakalah fees is current.

## 9 Other investments

	<b>Takaful Operator BND'000</b>	<b>Family Takaful Fund BND'000</b>	<b>Total BND'000</b>
<b>2022</b>			
<b>Fair value through profit or loss</b>			
Sukuk / Debt securities	—	45,459	45,459
Equity securities	2,397	5,149	7,546
<b>Investments at FVTPL</b>	2,397	50,608	53,005
<b>Available-for-sale</b>			
Equity securities	7,098	5,218	12,316
<b>Investments at FVOCI</b>	7,098	5,218	12,316
<b>Total</b>	9,495	55,826	65,321
<b>2021</b>			
<b>Fair value through profit or loss</b>			
Sukuk / Debt securities	—	48,503	48,503
Equity securities	1,509	—	1,509
<b>Investments at FVTPL</b>	1,509	48,503	50,012
<b>Available-for-sale</b>			
Equity securities	6,998	5,145	12,143
<b>Investments at FVOCI</b>	6,998	5,145	12,143
<b>Total</b>	8,507	53,648	62,155

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

Included in equity securities are shares held in a related party of BND\$12,316,000 (2021: BND\$12,143,000).



Other investments are allocated as follows:

	<b>2022</b>	<b>2021</b>
	<b>BND'000</b>	<b>BND'000</b>
Non-current	56,774	59,970
Current	8,547	2,185
	65,321	62,155

Information about the Company's exposures to credit and market risks, and fair value measurement, is included in note 23.

## 10 Takaful contract liabilities

	<b>Family Takaful Fund</b>		
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
	<b>BND'000</b>	<b>share</b>	<b>BND'000</b>
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
<b>2022</b>			
Unexpired risk reserves	–	–	–
Unearned contribution reserves	353	–	353
	353	–	353
Provision for outstanding claims			
- Outstanding claims	421	(300)	121
- Outstanding claims incurred but not reported (IBNR)	29,144	–	29,144
	29,565	(300)	29,265
	29,918	(300)	29,618
<b>2021</b>			
Unexpired risk reserves	–	–	–
Unearned contribution reserves	721	–	721
	721	–	721
Provision for outstanding claims			
- Outstanding claims	1,187	(3)	1,184
- Outstanding claims incurred but not reported (IBNR)	30,359	(29)	30,330
	31,546	(32)	31,514
	32,267	(32)	32,235

Unearned contribution reserves ("UCR") pertains to contribution liabilities arising from takaful contracts.

The movements in takaful contract provisions are as follows:

	Family Takaful Fund		
	Gross BND'000	Ceded share BND'000	Net BND'000
<b>2022</b>			
<b>Unearned contribution reserves</b>			
At 1 January	721	–	721
Premiums written	17,747	82	17,829
Premiums earned	(18,115)	(82)	(18,197)
At 31 December	353	–	353
<b>Provision for outstanding claims</b>			
At 1 January	31,546	(32)	31,514
Claims (paid)/recovered	(7,850)	3	(7,847)
Claims incurred	5,869	(271)	5,298
At 31 December	29,565	(300)	29,265
	Gross BND'000	Ceded share BND'000	Net BND'000
<b>2021</b>			
<b>Unearned contribution reserves</b>			
At 1 January	2,244	(109)	2,135
Premiums written	17,476	(484)	16,992
Premiums earned	(18,999)	593	(18,406)
At 31 December	721	–	721
<b>Provision for outstanding claims</b>			
At 1 January	30,891	(160)	30,731
Claims (paid)/recovered	(6,208)	162	(6,046)
Claims incurred	6,863	(34)	6,829
At 31 December	31,546	(32)	31,514

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

	<b>Family Takaful Fund</b>		
	<b>Gross BND'000</b>	<b>Ceded share BND'000</b>	<b>Net BND'000</b>
<b>2022</b>			
Due within one year	351	(300)	51
Due after one through three years	70	–	70
Due after three to five years	–	–	–
Due after five years	29,144	–	29,144
	29,565	(300)	29,265
<b>2021</b>			
Due within one year	1,117	(3)	1,114
Due after one through three years	70	–	70
Due after three to five years	–	–	–
Due after five years	30,359	(29)	30,330
	31,546	(32)	31,514

## 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”).

## 12 Takaful payables

	<b>Takaful Operator BND'000</b>	<b>Family Takaful BND'000</b>	<b>Total BND'000</b>
<b>2022</b>			
Amount due to:			
- retakaful companies	–	731	731
	–	731	731
<b>2021</b>			
Amount due to:			
- retakaful companies	–	1,029	1,029
	–	1,029	1,029

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

### 13 Other payables

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
<b>2022</b>			
Advanced contributions from participants	–	42	42
Profit payable to participants	–	3,498	3,498
Amount due to immediate holding Company (non-trade)	200	–	200
Accrued expenses	4,231	–	4,231
Other payables	360	–	360
	<u>4,791</u>	<u>3,540</u>	<u>8,331</u>
<b>2021</b>			
Advanced contributions from participants	–	28	28
Profit payable to participants	–	243	243
Amount due to immediate holding company (non-trade)	(622)	–	(622)
Accrued expenses	4,505	–	4,505
Other payables	190	–	190
	<u>4,073</u>	<u>271</u>	<u>4,344</u>

Other payables are all current.

### 14 Participants' fund

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

	BND'000
<b>2022</b>	
Unallocated/accumulated surplus b/f	66,496
Profit attributable to takaful funds	3,366
Surplus distribution to participants	(5,319)
Hibah paid to participants for the year	(4)
Other adjustments to tabarru	155
Movement in Available for sale reserve attributable to participants	74
Net assets value attributable to unit holders c/f	<u>64,768</u>
<b>2021</b>	
Unallocated/accumulated surplus b/f	60,851
Profit attributable to takaful funds	5,561
Hibah paid to participants for the year	(32)
Other adjustments to tabarru	88
Movement in Available for sale reserve attributable to participants	28
Net assets value attributable to unit holders c/f	<u>66,496</u>

**15 Capital and reserves**

	<b>2022 and 2021</b>	
	<b>Number of shares '000</b>	<b>Amount BND'000</b>
<b>Authorised</b>		
Ordinary shares of \$1 each	100,000	100,000
<b>Issued and fully paid up</b>		
Ordinary shares of \$1 each	8,000	8,000

**Ordinary shares**

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

**Available-for-sale reserve**

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

	<b>2022 BND'000</b>	<b>2021 BND'000</b>
Available-for-sale reserve	3,560	3,460

**Dividends**

The following dividends were declared and paid by the Company:

**For the year ended 31 December**

	<b>2022 BND'000</b>	<b>2021 BND'000</b>
<b>Paid by the Company to owners of the Company</b>		
BND\$0.1115 per ordinary share (in respect of financial year 2021)	892	—
BND\$0.058 per ordinary share (in respect of financial year 2020)	—	467
	892	467

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

	<b>2022 BND'000</b>	<b>2021 BND'000</b>
BND\$0.039 per ordinary share (2021: BND\$0.1115)	311	892

**16 Wakalah fee**

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
<b>2022</b>			
Wakalah income	5,421	–	5,421
Wakalah expense	–	(5,421)	(5,421)
	5,421	(5,421)	–
<b>2021</b>			
Wakalah income	5,132	–	5,132
Wakalah expense	–	(5,132)	(5,132)
	5,132	(5,132)	–

**17 Other operating income**

	Takaful Operator BND'000	Family Takaful Fund BND'000	Total BND'000
<b>2022</b>			
Mudharabah share of profit income	265	(265)	–
Other income	17	3	20
	282	(262)	20
<b>2021</b>			
Mudharabah share of profit income	123	(123)	–
Other income	36	3	39
	159	(120)	39

There was no surplus wakalah fee arising from TBK

**18 Personnel expenses**

	Total	
	2022 BND'000	2021 BND'000
Salaries and bonus	773	563
Contributions to defined contribution plans	53	47
Other personnel expenses	36	52
	862	662

## 19 Profit for the year

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

	Note	Total	
		2022 BND'000	2021 BND'000
Agent commissions		1,644	1,521
Contribution debtors written off	6	533	1,030
Investment management expenses		371	336
Legal, professional and audit fees		256	185
Claims handling expenses		(357)	(1,238)
Recovery of contribution debtors	6	(543)	(483)

## 20 Tax and zakat expenses

	2022 BND'000	2021 BND'000
<b>Tax recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current year	320	670
Adjustment for prior years	(146)	(67)
	<u>174</u>	<u>603</u>
<b>Total tax expense</b>	<u>174</u>	<u>603</u>

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

	2022 BND'000	2021 BND'000
Profit before zakat and taxation	1,725	3,468
Income tax using the domestic corporate tax rate of 18.5% (2021: 18.5%)	319	642
Others	(145)	(39)
	<u>174</u>	<u>603</u>

The amount of zakat is calculated on the net current assets of the shareholders' fund, and is payable by the Company in accordance with the principles of Shariah. There was a change in ownership of the immediate holding company to a charitable foundation on 12 December 2013. Consequently, the Company is exempted from paying zakat in accordance with AAIOIFI Shariah standard no (35) ruling 3/1/6 and 3/1/7.

All future zakat of the Company, if applicable, will be paid on behalf by a related party as the results are further consolidated into a larger group.

Subject to agreement by the Tax Authority, the Company has applied for a refund of Income Tax relating to Year of Assessment 2013, 2014 and 2016 (Years ended 31 December 2012, 2013 and 2015 respectively) amounting to \$383,000 as a result of the effect of the application of International Financial Reporting Standards (“IFRS”) as required by the Regulator in 2014.

## 21 Significant related party transactions

### *Transactions with key management personnel*

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the directors of the Company and certain senior management members of the Company.

Key management personnel compensation comprised:

	<b>2022</b>	<b>2021</b>
	<b>BND’000</b>	<b>BND’000</b>
<b>Short-term employee benefits</b>		
Directors’ fees and other remuneration	-	2
Other key management personnel:		
- Salary and employee benefits	125	122
	125	122

### *Other related party transactions*

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

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the transactions with the Company’s related parties are as follows:

	<b>2022</b>	<b>2021</b>
	<b>BND’000</b>	<b>BND’000</b>
<b>Shareholder</b>		
- Commission and fees paid/ payable	1,249	1,117
	1,249	1,117

All short term deposits at respective year ends are held with related parties (note 5). Management fees of BND\$1,394,000 (2021: BND\$1,024,000) were paid to the immediate holding company during the year.

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



## 22 Takaful risk management

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

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

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

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

### *Frequency and severity of claims*

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

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

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk. Underwriting limits that are in compliance with Brunei laws and regulations are in place to enforce appropriate risk selection criteria.

### (i) **Family Takaful Fund**

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

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

*Concentration of Family Takaful risk*

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

	<b>Gross BND'000</b>	<b>Retakaful BND'000</b>	<b>Net BND'000</b>
<b>Family Takaful Fund</b>			
<b>2022</b>			
Group annual takaful contracts	844	(97)	747
Endowment	3,464	(9)	3,455
Financing	13,439	188	13,627
	<u>17,747</u>	<u>82</u>	<u>17,829</u>
<b>2021</b>			
Group annual takaful contracts	2,451	(79)	2,372
Endowment	3,952	(2)	3,950
Financing	11,073	(403)	10,670
	<u>17,476</u>	<u>(484)</u>	<u>16,992</u>

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

*Key assumptions*

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

***Mortality and morbidity rates***

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

***Discount rate***

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

***Surrender rate***

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

***Sensitivity analysis***

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

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of actuarial liabilities as at 31 December 2022, inclusive of the provision for adverse deviation (refer to “base scenario” in the sensitivity analysis table)

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

Management has assumed that that all retakaful recoveries are receivable in full. There is currently no official independently published source of Brunei national mortality tables to be compared against. Sensitivity analysis was not performed for inflation as these are not material and will not impact the portfolio significantly.

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

- Mortality;
- Lapse rate; and
- Discount rate.

<b>2022</b>		<b>BND'000</b>	<b>BND'000</b>
<b>Net actuarial liabilities</b>			
Base scenario		<b>29,284</b>	<b>29,284</b>
	Change in assumptions		
		+10% points	-10% points
<u>Assumptions</u>			
Mortality		30,667	28,062
Lapse Ratio		29,282	29,285
	Change in assumptions		
		+0.5% points	-0.5% points
Discount rate		28,913	29,694
		<hr/>	
<b>2021</b>		<b>BND'000</b>	<b>BND'000</b>
<b>Net actuarial liabilities</b>			
Base scenario		<b>30,806</b>	<b>30,806</b>
	Change in assumptions		
		+10% points	-10% points
<u>Assumptions</u>			
Mortality		30,808	30,803
Lapse Ratio		30,805	30,806
	Change in assumptions		
		+0.5% points	-0.5% points
Discount rate		30,805	30,807
		<hr/>	

*Claims development*

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

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

Analysis of claims development – gross basis  
Gross loss development tables as at 31 December 2022

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	10,714	9,804	12,755	17,994	6,748	1,401	1,664	1,889	760	478	–
One year later	22,315	10,629	14,540	14,058	6,863	1,384	1,504	1,861	980	–	–
Two years later	31,439	10,232	14,224	13,967	6,844	1,356	1,502	1,860	–	–	–
Three years later	34,353	10,232	14,224	13,973	6,843	1,354	1,507	–	–	–	–
Four years later	37,528	10,232	14,221	13,977	6,843	6,610	–	–	–	–	–
Five years later	37,825	10,221	14,224	13,977	13,755	–	–	–	–	–	–
Six years later	37,861	10,221	14,224	14,769	–	–	–	–	–	–	–
Seven years later	37,861	10,221	10,264	–	–	–	–	–	–	–	–
Eight years later	37,861	10,221	–	–	–	–	–	–	–	–	–
Nine years later	27,742	–	–	–	–	–	–	–	–	–	–
<b>Estimate of ultimate claims cost</b>	<b>27,742</b>	<b>10,221</b>	<b>10,264</b>	<b>14,769</b>	<b>13,755</b>	<b>6,610</b>	<b>1,507</b>	<b>1,860</b>	<b>980</b>	<b>478</b>	<b>88,186</b>
<b>Cumulative payments</b>	<b>27,742</b>	<b>10,221</b>	<b>10,264</b>	<b>14,769</b>	<b>13,755</b>	<b>6,610</b>	<b>1,507</b>	<b>1,772</b>	<b>973</b>	<b>416</b>	<b>88,029</b>
<b>Undiscounted Outstanding Claim Liabilities</b>											
Provision for adverse deviation	–	–	–	–	–	–	–	88	7	62	157
<b>Outstanding claim liabilities</b>											
Actuarial liabilities for family takaful	–	–	–	–	–	–	–	1	2	15	18
<b>Total provision for outstanding claims</b>								<b>89</b>	<b>9</b>	<b>77</b>	<b>175</b>
											<b>29,390</b>
											<b>29,565</b>

Analysis of claims development – net basis  
Net loss development tables as at 31 December 2022

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	8,577	7,411	8,148	16,094	6,443	1,083	1,418	1,665	655	479	-
One year later	15,564	7,285	9,571	12,693	6,625	1,192	1,366	1,713	892	-	-
Two years later	21,520	6,958	9,716	12,603	6,594	1,165	1,365	1,712	-	-	-
Three years later	22,181	7,054	9,716	12,600	6,594	1,165	1,362	-	-	-	-
Four years later	23,918	7,054	9,713	12,603	6,594	6,418	-	-	-	-	-
Five years later	24,326	7,054	9,716	12,603	12,378	-	-	-	-	-	-
Six years later	24,398	6,954	9,716	10,203	-	-	-	-	-	-	-
Seven years later	24,398	6,954	7,076	-	-	-	-	-	-	-	-
Eight years later	24,398	6,954	-	-	-	-	-	-	-	-	-
Nine years later	18,398	-	-	-	-	-	-	-	-	-	-
<b>Estimate of ultimate claims cost</b>	<b>18,398</b>	<b>6,954</b>	<b>7,076</b>	<b>10,203</b>	<b>12,378</b>	<b>6,418</b>	<b>1,362</b>	<b>1,712</b>	<b>892</b>	<b>479</b>	<b>65,872</b>
<b>Cumulative payments</b>	<b>18,398</b>	<b>6,954</b>	<b>7,076</b>	<b>10,203</b>	<b>12,378</b>	<b>6,418</b>	<b>1,362</b>	<b>1,624</b>	<b>886</b>	<b>416</b>	<b>65,715</b>
<b>Undiscounted Outstanding Claim Liabilities</b>	-	-	-	-	-	-	-	<b>88</b>	<b>6</b>	<b>63</b>	<b>157</b>
Provision for adverse deviation	-	-	-	-	-	-	-	1	1	16	18
<b>Outstanding claim liabilities</b>	-	-	-	-	-	-	-	<b>89</b>	<b>7</b>	<b>79</b>	<b>175</b>
Actuarial liabilities for family takaful											29,090
<b>Total provision for outstanding claims</b>											<b>29,265</b>

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

Accident Year	2012 &									Total	
	Prior	2013	2014	2015	2016	2017	2018	2019	2020		2021
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	4,732	5,892	9,804	12,755	17,994	6,748	1,401	1,664	1,889	760	-
One year later	11,616	10,698	10,629	14,540	14,058	6,863	1,384	1,504	1,861	-	-
Two years later	20,983	10,456	10,232	14,224	13,967	6,844	1,356	1,502	-	-	-
Three years later	23,477	10,876	10,232	14,224	13,973	6,843	1,354	-	-	-	-
Four years later	26,592	10,935	10,232	14,221	13,977	6,843	-	-	-	-	-
Five years later	26,890	10,935	10,221	14,224	13,977	-	-	-	-	-	-
Six years later	26,926	10,935	10,221	14,224	-	-	-	-	-	-	-
Seven years later	26,926	10,935	10,221	-	-	-	-	-	-	-	-
Eight years later	26,926	10,935	-	-	-	-	-	-	-	-	-
Nine years later	26,926	10,935	-	-	-	-	-	-	-	-	-
<b>Estimate of ultimate claims cost</b>	<b>29,926</b>	<b>10,935</b>	<b>10,221</b>	<b>14,224</b>	<b>13,977</b>	<b>6,843</b>	<b>1,354</b>	<b>1,502</b>	<b>1,861</b>	<b>760</b>	<b>88,603</b>
<b>Cumulative payments</b>	<b>26,926</b>	<b>10,935</b>	<b>10,221</b>	<b>14,224</b>	<b>13,977</b>	<b>6,843</b>	<b>1,354</b>	<b>1,499</b>	<b>1,757</b>	<b>643</b>	<b>88,379</b>
<b>Undiscounted Outstanding Claim Liabilities</b>											
Provision for adverse deviation	-	-	-	-	-	-	-	3	104	117	224
<b>Outstanding claim liabilities</b>											
Actuarial liabilities for family takaful	-	-	-	-	-	-	-	-	1	22	23
<b>Total provision for outstanding claims</b>								<b>3</b>	<b>105</b>	<b>139</b>	<b>247</b>
											<u>31,299</u>
											<u>31,546</u>

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

Accident Year	2012 &										Total	
	Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021		
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
<b>Estimate of ultimate claims cost:</b>												
At end of accident year	3,889	4,687	7,411	8,148	16,094	6,443	1,083	1,418	1,665	655	–	–
One year later	7,712	7,852	7,285	9,571	12,693	6,625	1,192	1,366	1,713	–	–	–
Two years later	14,197	7,322	6,958	9,716	12,603	6,594	1,165	1,365	–	–	–	–
Three years later	14,493	7,688	7,054	9,716	12,600	6,594	1,165	–	–	–	–	–
Four years later	16,147	7,771	7,054	9,713	12,603	6,594	–	–	–	–	–	–
Five years later	16,555	7,771	6,954	9,716	12,603	–	–	–	–	–	–	–
Six years later	16,627	7,771	6,954	9,716	–	–	–	–	–	–	–	–
Seven years later	16,627	7,771	6,954	–	–	–	–	–	–	–	–	–
Eight years later	16,627	7,771	–	–	–	–	–	–	–	–	–	–
Nine years later	16,627	–	–	–	–	–	–	–	–	–	–	–
<b>Estimate of ultimate claims cost</b>	<b>16,627</b>	<b>7,771</b>	<b>6,954</b>	<b>9,716</b>	<b>12,603</b>	<b>6,594</b>	<b>1,165</b>	<b>1,365</b>	<b>1,713</b>	<b>655</b>	<b>65,163</b>	
<b>Cumulative payments</b>	<b>16,627</b>	<b>7,771</b>	<b>6,954</b>	<b>9,716</b>	<b>12,603</b>	<b>6,594</b>	<b>1,162</b>	<b>1,362</b>	<b>1,609</b>	<b>555</b>	<b>64,953</b>	
<b>Undiscounted Outstanding Claim Liabilities</b>												
Provision for adverse deviation	–	–	–	–	–	–	3	3	104	100	210	
<b>Outstanding claim liabilities</b>												
Actuarial liabilities for family takaful	–	–	–	–	–	–	–	1	1	18	20	
<b>Total provision for outstanding claims</b>							<b>3</b>	<b>4</b>	<b>105</b>	<b>118</b>	<b>230</b>	
											<b>31,284</b>	
												<b>31,514</b>



## 23 Financial risk management

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

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

The Company held short term deposits of BND\$58,080,000 at 31 December 2022 (2021: BND\$61,580,000) 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- (2021: A-).

***Credit exposure***

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

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

<b>Credit Rating</b>	<b>2022 FVTPL BND'000</b>	<b>2021 FVTPL BND'000</b>
<b>Quoted sukuk</b>		
BBB- to AAA	41,494	45,171
Unrated	3,184	2,869
Gross carrying amounts	44,678	48,040

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

*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:*

<i>Insurance contract provisions</i>	<i>Note 10</i>
<i>Other payables</i>	<i>Note 13</i>

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 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:

	<b>2022</b>	<b>2021</b>
	<b>BND'000</b>	<b>BND'000</b>
Cash and cash equivalents	1,171	1,161
Other investments	52,626	49,549
Net statement of financial position exposure	53,797	50,710

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the BND, as indicated below against the USD at 31 December 2022 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.

	<b>2022</b>	<b>2021</b>
	<b>BND'000</b>	<b>BND'000</b>
USD (10% strengthening)	(5,380)	(5,071)
USD (10% weakening)	5,380	5,071

**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:

Note	Carrying amount			Fair value			
	FVTPL BND'000	Held to maturity BND'000	Financing and available- for-sale BND'000	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
<b>2022</b>							
<b>Financial assets measured at fair value</b>							
Other investments	53,005	–	12,316	7,546	45,459	12,316	65,321
	53,005	–	12,316				65,321
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	–	–	–				63,743
Other receivables*	–	–	868				868
Balances with Brunei Darussalam Central Bank	–	–	1,000				1,000
	–	–	65,611				65,611
<b>Financial liabilities not measured at fair value</b>							
Other payables	–	–	–				8,331
	–	–	–				8,331

\*This figure excludes prepayments.  
During the financial year, there have been no transfers between Level 1, 2 and 3.

**TAKAFUL BRUNEI KELUARGA SDN BHD**  
*Financial statements*  
Year ended 31 December 2022

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	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
<b>2021</b>									
<b>Financial assets measured at fair value</b>									
Other investments	9	50,012	-	12,143	-	1,509	48,503	12,143	62,155
		50,012	-	12,143	-				62,155
<b>Financial assets not measured at fair value</b>									
Cash and cash equivalents	5	-	-	66,552	-	-	-	-	66,552
Other receivables*	7	-	-	874	-	-	-	-	874
Balances with Brunei Darussalam Central Bank	11	-	-	1,000	-	-	-	-	1,000
		-	-	68,426	-	-	-	-	68,426
<b>Financial liabilities not measured at fair value</b>									
Other payables	13	-	-	-	4,344	-	-	-	4,344
		-	-	-	4,344	-	-	-	4,344

\*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  - Liquidity discount	The estimated fair value would increase (decrease) if the adjusted multiple are higher (lower)  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.

2022	Equities BND'000	Total BND'000
Balance at 1 January	12,143	12,143
Total unrealised gains or losses in OCI	174	174
Balance at 31 December	12,317	12,317



<b>2021</b>	<b>Equities BND'000</b>	<b>Total BND'000</b>
Balance at 1 January	12,078	12,078
Total unrealised gains or losses in OCI	65	65
Balance at 31 December	<u>12,143</u>	<u>12,143</u>

**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 BDCB, effective since the year ended 31 December 2015.

The Company was in compliance (2021: 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.