



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Financial Reporting for Takaful Operators

PART A	OVERVIEW	1
1.	Introduction.....	1
2.	Applicability	2
3.	Legal provision	2
4.	Effective date.....	2
5.	Level of application.....	3
6.	Interpretation	3
7.	Policy document superseded.....	4
PART B	REGULATORY REQUIREMENTS	5
8.	Compliance with the MFRS	5
9.	Specific requirements on the application of the MFRS.....	6
10.	Specific requirements on Qard	7
11.	Investment properties	8
12.	Minimum disclosure requirements	9
PART C	REGULATORY PROCESS AND SUBMISSION REQUIREMENTS	13
13.	Declaration and payment of dividends	13
14.	Annual financial statements.....	14
PART D	PUBLICATION REQUIREMENTS.....	16
15.	Annual financial statements.....	16
16.	Interim financial report	17
APPENDIX	18
Appendix 1	Accounting entries for Qard.....	18

PART A OVERVIEW

1. Introduction

- 1.1 The Malaysian Financial Reporting Standards (MFRS) which serve as a basis for financial reporting in Malaysia have been fully converged with the International Financial Reporting Standards (IFRS) from 1 January 2012. Ongoing improvements in these standards have contributed to a greater alignment between financial reporting and prudential frameworks. Notwithstanding these positive developments, the increasingly more principle-based financial reporting standards and the substantial degree of judgment required under the financial reporting standards can continue to result in divergent outcomes between the objectives of financial reporting and prudential regulation, which is primarily concerned with promoting financial stability.
- 1.2 Recognising this potential dichotomy, takaful operator is required under the Islamic Financial Services Act 2013 (IFSA) to prepare its financial statements in accordance with the MFRS, subject to any standards as may be specified by the Bank to reflect specific modifications or exceptions to the MFRS. The Bank envisages that such modifications or exceptions will only become necessary in circumstances where alternative prudential measures would not be adequate to promote the financial resilience of takaful operators or address threats to financial stability. Where such modifications or exceptions are specified by the Bank, this must be accompanied by a disclosure of that fact by the takaful operator.

Policy objective

- 1.3 This policy document clarifies and sets minimum expectations for the application of the MFRS to a takaful operator. It also aims to ensure adequate disclosures by a takaful operator in the financial statements to improve comparability for users of financial statements and better facilitate the assessment of a takaful operator's financial position and performance.

Scope of policy

- 1.4 This policy document sets out:
- (a) the specific requirements on the application of the MFRS;
 - (b) information to be disclosed in the financial statements;
 - (c) application requirements for approval of a dividend payment; and
 - (d) requirements on submission and publication of the financial statements.

2. Applicability

- 2.1 This policy document is applicable to a licensed takaful operator.
- 2.2 Notwithstanding paragraph 2.1, the requirements under Part D of this policy document are not applicable to a professional retakaful operator.

3. Legal provision

- 3.1 The requirements in this policy document are specified pursuant to section 57(1), section 60, section 65(2) (d), section 73, section 74, section 75, section 155(2) and section 277 of the IFSA.

4. Effective date

- 4.1 This policy document comes into effect on **1 January 2015**.
- 4.2 Takaful operator shall notify the Bank of its intention to early apply MFRS 9 *Financial Instruments* (MFRS 9) for financial years beginning before 1 January 2018, at least six months before the early application. The notification must be supplemented with the following:
- (a) a written assessment by the auditor of the takaful operator's readiness to implement the impairment requirements of MFRS 9, particularly in respect of the systems capacity, data availability and computation method: and
 - (b) an explanation of the changes in the impairment allowances and a

reconciliation from the ending impairment allowances determined in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* (MFRS 139) to the opening impairment allowances determined in accordance with MFRS 9.

- 4.3 Takaful operator shall notify the Bank (one-time notification) of its intention to apply the fair value option under MFRS 139 and the scope of the fair value application to financial instruments as approved by the board, at least one month before the option is first applied. The notification must be supplemented with relevant extracts of board minutes detailing the list of financial instruments approved by the board to apply the fair value option and the intended date of the application of the fair value option.

5. Level of application

- 5.1 Takaful operator is required to comply with the requirements in this policy document in the preparation and publication of a takaful operator's separate financial statements and consolidated financial statements.

6. Interpretation

- 6.1 The terms and expressions used in this policy document shall have the same meanings assigned to it in the IFSA unless otherwise defined in this policy document.

- 6.2 For the purpose of this policy document:

“S” denotes a standard, requirement or specification that must be complied with. Failure to comply may result in one or more enforcement actions;

“G” denotes guidance which may consist of such information, advice or recommendation intended to promote common understanding and sound industry practices which are encouraged to be adopted.

“**Foreign policies**” means takaful certificates issued by a foreign professional retakaful operator in or from Malaysia but are not Malaysian takaful certificates;

“**Foreign professional retakaful operator**” means a professional retakaful operator incorporated outside Malaysia;

“**Takaful operator**” means a person licensed under Section 10 of the IFSA to carry on takaful business and includes a licensed international takaful operator and a licensed retakaful operator; and

“**separate financial statements**” and “**consolidated financial statements**” shall have the same meaning as set out in MFRS 127 *Separate Financial Statements* and MFRS 10 *Consolidated Financial Statements*.

7. Policy document superseded

- 7.1 The policy document on *Financial Reporting for Takaful Operators* issued on 28 June 2013 is superseded.

PART B REGULATORY REQUIREMENTS**8. Compliance with the MFRS**

- S** 8.1 Pursuant to section 74 of the IFSA, a takaful operator shall ensure that it prepares its financial statements in accordance with the MFRS to the extent that the standards are consistent with Shariah principles¹ and subject to the requirements specified in paragraphs 9.1 to 9.4 and shall disclose a statement to that effect in the financial statements.
- S** 8.2 The board of directors is responsible for ensuring that the financial statements are drawn up so as to give a true and fair view of the state of affairs and of the results of the business of the takaful operator. This is consistent with the fiduciary and statutory duties placed on the board of directors as persons responsible for managing the affairs of the takaful operator. Hence, the board shall be satisfied that a sound financial reporting structure is in place to ensure the integrity and credibility of the financial statements.
- S** 8.3 For financial instruments that are measured at fair value, a takaful operator shall ensure that sound risk management and control processes² around their measurement³ are in place.

¹ Refer to *Statement of Principles (SOP) i-1: Financial Reporting from Islamic Perspective* issued by MASB. Paragraph 6 of *SOP i-1* provides that "Shariah compliant transactions and events shall be accounted for in accordance with MASB approved accounting standards, unless there is a Shariah prohibition". In line with MASB's consultative approach, takaful operators to refer to MASB, when there are divergent practices regarding the accounting for a particular Shariah compliant transaction or event, or when there is doubt about the appropriate accounting treatment and the takaful operators believe it is important that a standard treatment be established.

² In line with the expectations set forth in the *Supervisory Guidance for Assessing Banks' Financial Instrument Fair Value Practices*, *Basel Committee on Banking Supervision, April 2009* and *Supervisory Guidance on the Use of the Fair Value Option for Financial Instruments by Banks*, *Basel Committee on Banking Supervision, June 2006*.

³ Refer to MFRS 13 *Fair Value Measurement*.

9. Specific requirements on the application of the MFRS

- S** 9.1 The financial statements and financial reports referred to under Part C and Part D of this policy document shall be presented in ringgit (RM).
- S** 9.2 For the purpose of disclosures of non-compliance with externally imposed capital requirements, the relevant capital adequacy requirements shall be those set out under paragraph 18.1 of Part D of the *Risk-Based Capital Framework for Takaful Operators*.
- S** 9.3 Takaful operator that is a member institution of Perbadanan Insurans Deposit Malaysia (PIDM) shall also comply with the disclosure requirements specified by PIDM.
- S** 9.4 A takaful operator shall not account for the investments in associates and joint ventures using the equity method as described in MFRS 128 *Investments in Associates and Joint Ventures* in the preparation of its separate financial statements.
- S** 9.5 Takaful operator in the preparation of its financial statements shall:
- (a) present the assets and liabilities of the takaful fund⁴ separately from assets and liabilities of the takaful operator;
 - (b) present family takaful contract liabilities (including actuarial liabilities, unallocated surplus and fair value/revaluation reserves, if any, of family takaful fund) as a *liability* in its statement of financial position;
 - (c) present its investment-linked contracts as takaful contracts, consistent with the requirements of the *Guidelines on Investment-Linked Insurance/Takaful Business*;
 - (d) in respect of its family takaful business, account for acquisition costs⁵ as and when these are incurred and such costs shall not be deferred;
 - (e) disclose provision for expense liabilities as required in the *Guidelines on*

⁴ Refers to family and general funds, as defined under *Guidelines on Takaful Operational Framework*.

⁵ Acquisition costs are commissions and agency related expenses incurred in securing contributions on takaful policies.

Valuation Basis for Liabilities of General Takaful Business and Guidelines on Valuation Basis for Liabilities of Family Takaful Business, as a *liability* in the takaful operator's statement of financial position;

- (f) be deemed to have complied with the requirements of a *liability adequacy test* under MFRS 4 *Insurance Contracts* (MFRS 4) if its valuation methods used are in accordance with *Guidelines on Valuation Basis for Liabilities of General Takaful Business* and *Guidelines on Valuation Basis for Liabilities of Family Takaful Business*; and
- (g) for the purpose of complying with paragraph 58 of MFRS 139 and paragraph 20 (a) of MFRS 4, deem *objective evidence of impairment* to exist where the principal or profit or both for financing/receivables⁶ that are individually assessed for impairment, are past due for more than 90 days or 3 months. Impairment allowances for financing/receivables that meet this condition shall be determined in accordance with MFRS 139 or MFRS 4. In the case of treaty retakaful business, the date the statement is provided to retakaful operators shall be deemed as the 'date due' for the purpose of complying with this paragraph. This however, does not preclude takaful operator from assessing the accounts earlier for impairment if the accounts exhibit weaknesses⁷ that heighten the risks associated with these accounts.

10. Specific requirements on Qard

- S** 10.1 Qard shall be measured at cost less any impairment losses.
- S** 10.2 At the end of each reporting period, takaful operator shall assess for any indication that Qard is impaired in accordance to paragraph 12 of MFRS 136 *Impairment of Assets*. Where Qard needs to be impaired, the impairment loss shall be the difference between carrying amount of Qard and its recoverable amount.

⁶ Includes *Amount Due From Retakaful/Ceding Companies and Outstanding Contributions*.

⁷ Takaful operators shall also consider the loss events listed under Paragraph 59 of MFRS 139 *Financial Instruments: Recognition and Measurement*.

- S** 10.3 Takaful operator shall specify the time period over which Qard will be repaid, which has been determined in line with the requirements of *Guidelines on Takaful Operational Framework*.
- S** 10.4 Takaful operator must ensure that the total assets and total liabilities presented in company's statement of financial position are net of Qard to avoid double counting of assets and overstatement of liabilities. To facilitate the reporting, takaful operator shall be guided by the accounting entries for Qard as per Appendix 1.
- G** 10.5 In determining the recoverable amount of Qard, takaful operator may be guided by the following principles:
- (a) The recoverable amount is the net surplus of the Participants' Risk Fund (PRF) or part of the PRF where the PRF is managed under smaller sub-funds;
 - (b) The net surplus of the PRF is the amount of the PRF less the best estimate value of liabilities calculated according to valuation methods prescribed via *Guidelines on Valuation Basis of Liabilities for General Takaful Business and Guidelines on Valuation Basis of Liabilities for Family Takaful Business*; and
 - (c) In deriving the net surplus of the PRF, the value of the PRF should be as at that point in time and there should not be assumption of growth of the PRF.

11. Investment properties

- S** 11.1 The amount of surplus arising from fair value gains on investment properties of the takaful fund which may be distributed to participants shall be limited to the lower of 30% of the aggregate fair value gains (net of fair value losses) or 10% of the aggregate fair value of the investment properties.
- S** 11.2 Takaful operator shall maintain relevant information supporting the valuations

for the Bank's review as and when required by the Bank.

- S** 11.3 An independent professional valuer shall validate material fair value changes or revaluations at any time as and when the Bank may require and the cost of such validation shall be borne by the takaful operator.

12. Minimum disclosure requirements

- G** 12.1 The requirements under the following paragraphs refer specifically to disclosures which form part of the *financial statements* and do not deal with other disclosures provided by takaful operator as part of the Annual Report (e.g. Director's Report, Statement on Corporate Governance).
- S** 12.2 Takaful operator shall make disclosures in the financial statements in accordance with the requirements of the MFRS, and include information specified under paragraphs 12.4 to 12.7 of this policy document.
- S** 12.3 Takaful operator shall comply with the following key principles on disclosure of information:
- (a) information should be timely and up-to-date, to avoid undue delays in disclosure which may affect the relevance of the information being disclosed;
 - (b) the scope and content of information disclosed and the level of disaggregation and detail should be sufficient to provide comprehensive, meaningful⁸ and relevant information to the users;
 - (c) adequate disclosures should be provided on areas of uncertainty, in particular information on key estimates and if sensitivity analysis is used, a discussion on the assumptions and the probabilities of the occurrence of various scenarios; and
 - (d) disclosures should allow comparisons over time and between takaful

⁸ For example, given the heterogeneity of users of financial reporting, background information on the wider economic environment takaful operators operates in is necessary to provide sufficient information to understand the context for specific disclosures. Information should also be useful to support decision-making by users.

operators⁹.

- S** 12.4 Takaful operator shall present the financial statements¹⁰ according to the following minimum components:
- (a) Statement of financial position;
 - (b) Statement of comprehensive income;
 - (c) Statement of changes in equity;
 - (d) Statement of cash flows;
 - (e) Family takaful fund's statement of financial position;
 - (f) Family takaful fund's statement of comprehensive income;
 - (g) General takaful fund's statement of financial position;
 - (h) General takaful fund's statement of comprehensive income; and
 - (i) Explanatory notes to the financial statements.
- S** 12.5 In meeting the requirement in paragraph 2.9 of the *Shariah Governance Framework for Islamic Financial Institutions* with respect to the state of compliance with Shariah principles, takaful operator shall disclose the Shariah Committee's Report as part of the Annual Report, signed by not less than **two** Shariah Committee members. The Shariah Committee's Report shall contain the following information:
- (a) opening or introductory paragraph;
 - (i) identification of the purpose of the Shariah Committee's engagement; and
 - (ii) a clear statement of management's responsibility in ensuring compliance with Shariah principles;
 - (b) scope paragraph describing the nature of the work performed;

⁹ For example, users shall be informed of the accounting policies employed in the preparation of the financial statements including any changes in those policies and the effects of such changes. Users need to be able to identify differences between the accounting policies for like transactions and other events used by the same entity from period to period and by different entities. Compliance with MFRS, including the disclosure of the accounting policies used by the entity, helps to achieve comparability.

¹⁰ Takaful operator may refer to *Guidance on Special Matter No.2 Presentation of Financial Statements for Takaful Companies* issued by Malaysian Institute of Accountants' Financial Reporting Standards Interpretation Committee (MIA FRSIC) on 29 May 2013.

- (i) confirmation that the Shariah Committee has performed appropriate tests, procedures and review work as appropriate;
- (c) paragraph expressing the Shariah Committee's opinion on the takaful operator's compliance with Shariah in respect of:
 - (i) contracts and related documentation used;
 - (ii) appropriateness of Shariah basis for the allocation of profit between shareholders and participant investment fund; and where appropriate;
 - (iii) disposal of any earnings from prohibited sources/means to charitable causes;
 - (iv) zakat computation; and
 - (v) any known non-compliance with Shariah and action taken to remedy such non-compliance as reported by the takaful operator as specified in the *Operational Risk Reporting Requirement*.¹¹

Takaful operator may refer to the illustration provided in the *Shariah Governance Framework for Islamic Financial Institutions*.

- S** 12.6 The explanatory notes to be disclosed in the *annual* financial statements of takaful operator shall include the following information:
- (a) takaful contract liabilities;
 - (b) reinsurance/retakaful assets;
 - (c) takaful receivables¹²;
 - (d) other receivables¹³;
 - (e) takaful payables;
 - (f) impairment provisions¹⁴;
 - (g) total capital available showing separately Tier 1 Capital and Tier 2 Capital¹⁵;

¹¹ Takaful operator may refer to the *Operational Risk Integrated Online Network (ORION)* for guidance on treatment of Shariah non-compliant items.

¹² Disclosure shall include details for *Outstanding Contributions* and *Wakalah Fee Receivables*.

¹³ Disclosure shall include details information on Qard.

¹⁴ Disclosures shall include details on *Impairment Provisions for Outstanding Contributions, Wakalah Fee receivables* and *Qard*.

¹⁵ The breakdown shall be consistent with that specified under paragraph 9 of the *Risk-Based Capital Framework for Takaful Operator*. Takaful operators may also refer to Form A of RBCT Reporting Forms for guidance.

- (h) expense liabilities;
- (i) gross and net earned contribution;
- (j) gross and net benefits and claims;
- (k) fees and commission income;
- (l) management expenses;
- (m) CEO, Directors' and Shariah Committee members' remuneration with a breakdown of types of remunerations (e.g. salary, fees, bonus, benefits-in-kind, retirement benefits), disclosed separately for the CEO and each individual director, distinguishing between executive and non-executive directors, and Shariah Committee members;
- (n) commitments and contingencies with a breakdown by types and amount distinguishing between contingent liabilities and commitments;
- (o) amount and nature of earnings (expenditure) from sources or by means which are not permitted by Shariah and how takaful operator intends to dispose of the assets generated by prohibited earnings or acquired through prohibited expenditure; and
- (p) amount of zakat payable and method of calculating zakat as approved by the takaful operator's Shariah Committee.

S 12.7 The explanatory notes to be disclosed in the *interim* financial report of takaful operator shall include the following information:

- (a) takaful contract liabilities;
- (b) reinsurance/retakaful assets; and
- (c) total capital available.

The breakdown for the above explanatory notes shall be consistent with that specified for annual financial statements (refer to paragraph 12.6). In addition, takaful operator shall disclose items that are material to the understanding of the interim financial report in accordance with MFRS 134 *Interim Financial Reporting*.

PART C REGULATORY PROCESS AND SUBMISSION REQUIREMENTS**13. Declaration and payment of dividends**

13.1 Pursuant to section 60(1) of the IFSA, takaful operator is required to obtain the Bank's written approval prior to declaring or paying any dividend on its shares. For the avoidance of doubt, shares refer to both the ordinary shares and preference shares.

S 13.2 Unless otherwise informed by the Bank in writing, approval is given to the takaful operator to declare or pay any dividend on its preference shares where the dividend is non-discretionary¹⁶ and non-cumulative¹⁷. For the avoidance of doubt, where the Bank has, prior to the effective date of this policy document imposed a requirement on a takaful operator to obtain the Bank's written approval prior to declaring or paying any dividend on its preference shares, such approval requirement shall continue to apply and the requirements set out in paragraph 13.4 shall be observed by the takaful operator.

S 13.3 Where an application has been made under paragraph 13.1, takaful operator shall not:

- (a) publish in print and/or electronic form¹⁸;
- (b) lay the annual financial statements at its general meeting; and
- (c) in the case of a listed financial institution, submit to the stock exchange, the interim financial report or annual financial statements, as the case may be, unless the proposed dividend has been approved by the Bank under section 60(1) of the IFSA.

S 13.4 An application for approval for approval made under paragraph 13.1 by a takaful operator must be supplemented with the following:

- (a) where an interim dividend is proposed,
 - (i) its interim financial report, with a review by the auditor of the

¹⁶ The proposed dividend payment is not at the full discretion of the takaful operator.

¹⁷ Any waived dividend must not be made up by the takaful operator at a later date.

¹⁸ For example, newspaper, press release and website.

profit after tax for the period¹⁹. The explanatory notes to the interim financial report shall be consistent with that specified for annual financial statements (refer to paragraph 12.6);

- (ii) the interim financial report of its principal subsidiaries^{20, 21}, as applicable;
 - (iii) the limited review report by its auditor;
 - (iv) a written confirmation by the officer primarily responsible for the financial management of the takaful operator that its interim financial report has been prepared in accordance with the MFRS subject to requirements specified by the Bank in paragraph 9 of this policy document; and
 - (v) the calculation of the Capital Adequacy Ratio showing the positions separately before and after the proposed payment of dividends.
- (b) where a final dividend is proposed,
- (i) the information specified in paragraph 14.1;
 - (ii) the calculation of the Capital Adequacy Ratio showing the positions separately before and after the proposed payment of dividends; and
 - (iii) its audited statistical returns²² reported under the Takaful Operators Statistical System and risk-based capital forms reported under *Risk-Based Capital Framework for Takaful Operators*.

14. Annual financial statements

- S** 14.1 Within three months after the close of each financial year and before the laying of the financial statements at the general meeting, takaful operator shall submit to Jabatan Penyeliaan Insurans dan Takaful of Bank Negara Malaysia,

¹⁹ In accordance with the standards on review engagements issued by the Malaysian Institute of Accountants.

²⁰ Subsidiaries which are major contributors to the group's profit revenue, assets or profit/loss.

²¹ For the avoidance of doubt, the interim financial reports of the principal subsidiaries need not be subject to review by the auditor.

²² This refer Revenue Account, Income Statement and Balance Sheet.

the following:

- (a) its annual audited financial statements;
- (b) the audited financial statements of its principal subsidiaries, where relevant;
- (c) its Auditor's Report²³, including a report on the key accounting and auditing matters tabled to the board audit committee;
- (d) the analysis of performance by key business segments;
- (e) a written confirmation by the officer primarily responsible for the financial management of the takaful operator that its annual financial statements have been prepared in accordance with the MFRS subject to requirements specified by the Bank in paragraph 9 of this policy document;
- (f) its Shariah Committee's Report; and
- (g) the tentative date of the publication of its annual financial statements on the website.

S 14.2 For the purpose of paragraph 14.1(b), where the audited financial statements are in a language other than the national language or English, the copy submitted shall be translated into English.

S 14.3 For the avoidance of doubt, in the case of a foreign professional retakaful operator, the information to be submitted under paragraph 14.1 shall relate to its Malaysian takaful certificates and foreign policies of its office in Malaysia.

S 14.4 Where the audited financial statements of a foreign professional retakaful are not made available on the website, a foreign professional retakaful operator shall submit to the Bank a copy of its audited financial statements within 30 calendar days after the laying of the financial statements at its general meeting in the country in which it is incorporated or established. Where the audited financial statements are in a language other than the national language or English, the copy submitted shall be translated into English.

²³ This refers to the detailed report prepared by the auditor on the audit of a takaful operator's annual financial statements.

PART D PUBLICATION REQUIREMENTS**15. Annual financial statements**

- S** 15.1 Takaful operator shall:
- (a) publish, in an abridged format, the audited annual financial statements in at least two local daily newspapers, one of which shall be in the national language and the other in English; and
 - (b) make available the full set of the audited annual financial statements on its website²⁴,
- no earlier than five working days after the date of submission of the information specified in paragraph 14.1 to the Bank but not later than 14 calendar days after its annual general meeting.
- S** 15.2 For the purpose of paragraph 15.1(a), the abridged format of the financial statements to be published in the newspapers shall, at a minimum, consist of the following:
- (a) Statement of financial position;
 - (b) Statement of comprehensive income;
 - (c) Statement of changes in equity;
 - (d) Statement of cash flows;
 - (e) Family takaful fund's statement of financial position;
 - (f) Family takaful fund's statement of comprehensive income;
 - (g) General takaful fund's statement of financial position;
 - (h) General takaful fund's statement of comprehensive income;
 - (i) the Auditor's Report; and
 - (j) the Shariah Committee's Report.
- S** 15.3 For the purpose of paragraph 15.1(a), the two approved local daily newspapers are:
- (a) Berita Harian or Utusan Malaysia; and
 - (b) The New Straits Times or The Star.

²⁴ Or the corporate website of a takaful operator or a financial holding company.

- S** 15.4 Takaful operator shall make available a copy of the audited annual financial statements at every branch of the takaful operator in Malaysia.
- S** 15.5 For the purpose of paragraph 15.1(a), takaful operator shall include a prominent note in the published abridged format of its financial statements stating that:
- (a) the full set of the financial statements is available on the takaful operator's website together with the address of the website; and
 - (b) a copy of the audited annual financial statements is available at every branch of the takaful operator in Malaysia.

16. Interim financial report

- S** 16.1 Where an application has not been made under paragraph 13.1, takaful operator shall make available on its website the interim financial report prepared on a half-yearly basis no later than eight weeks after the close of the interim period.
- S** 16.2 Where an application has been made under paragraph 13.1 and approval from the Bank has been obtained under section 60(1) of the IFSA, a takaful operator shall make available on its website, the interim financial report prepared on a half-yearly basis, no later than eight weeks after the close of the interim period. In the case where the application has yet to be approved by the Bank by the end of the eighth week after the close of the interim period, takaful operator shall disclose on its website the interim financial report no later than five working days after the approval from the Bank has been obtained.

Appendix 1 Accounting entries for Qard

1) Shareholders' Fund's book

Dr Qard	XXX
Cr Cash	XXX

(Qard extended to Takaful Fund to rectify deficit)

2) Takaful Fund's book

Dr Cash	XXX
Cr Liabilities	XXX

(Cash received from Shareholders' Fund to rectify deficit in Takaful Fund)

3) Company's book

Dr Assets (Qard + Cash)	XXX
Cr Liabilities	XXX

(Double counted assets and overstated liabilities)

4) Elimination entries at Company's book

Dr Liabilities	XXX
Cr Qard	XXX

(Eliminate double counted assets and overstated liabilities)