DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

31 March 2023

TAKAFUL IKHLAS FAMILY BERHAD

200201025412 (593075-U)

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(Incorporated in Malaysia)

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Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Contents	**Page**
Directors' Report	1 - 5
Corporate Governance Disclosures (as referred to in the Directors' Report)	6 - 41
Statement by Directors	42
Statutory Declaration	42
Report of the Group Shariah Committee	43 - 44
Independent auditors' report	45 - 48
Statement of comprehensive income	49 - 50
Statement of financial position	51
Statement of changes in equity	52 - 53
Statement of cash flows	54 - 55
Notes to the financial statements	56 - 194

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of Takaful Ikhlas Family Berhad ("the Company") for the financial year ended 31 March 2023.

Principal activities

The Company is principally engaged in the management of family takaful businesses including investment-linked takaful business.

There have been no significant changes in the nature of this principal activity during the financial year.

Ultimate holding and financial holding company

The ultimate holding and financial holding company is MNRB Holdings Berhad ("MNRB"), a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

Results

	RM '000
Net profit for the financial year	20,815

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements. In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM '000
In respect of financial year ended 31 March 2022:	
Final single tier dividend of 1.23% on 405,000,000 ordinary shares, declared on 21 September 2022 and paid on 5 October 2022.	5,000

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Johar Che Mat
George Oommen
Woon Tai Hai
Noor Rida Hamzah (Retired with effect from 21 September 2022)
Shareen Ooi Bee Hong
Zaharudin Daud
Md Azmi Abu Bakar (Appointed with effect from 1 October 2022)
Azizul Mohd Said (Appointed with effect from 1 March 2023)

In accordance with Clause 22.2 of the Company's Constitution, Md Azmi Abu Bakar and Azizul Mohd Said will be retiring at the forthcoming Annual General Meeting and being eligible, had offered themselves for re-election.

In accordance with Clause 22.3 of the Company's Constitution, Datuk Johar Che Mat and Woon Tai Hai will be retiring at the forthcoming Annual General Meeting and being eligible, had offered themselves for re-election.

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from the Company or the fixed salary and benefits receivable as a full-time employee of the Company as disclosed in Notes 10, 11 and 35 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Part 1, Section 3 of the Fifth Schedule of the Companies Act, 2016 ("CA 2016").

Directors' indemnity

During the financial year, the ultimate holding company, MNRB, purchased a Directors and Officers Liability Takaful cover to provide indemnity to all Directors of the MNRB and its subsidiaries ("MNRB Group" or "the Group") for a limit of RM50,000,000 at a contribution of RM100,430.

Directors' interests

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

Share capital and debentures

There were no changes in issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company since the beginning of the financial year to the date of this report.

Corporate governance disclosures

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document, BNM/RH/PD 029-9 on *Corporate Governance ("PD CG").* The Company is committed to the principles prescribed in this PD CG to ensure public accountability at all times.

Further details are disclosed on pages 6 to 41.

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

  (ii) any contingent liability of the Company which has arisen since the end of the financial year, other than those arising in the normal course of business of the Company.

(f) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purposes of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from takaful certificates underwritten in the ordinary course of business of the Company.

Other statutory information (cont'd.)

(g) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for takaful certificate liabilities in accordance with the valuation methods prescribed in Part B of the Risk Based Capital Framework for Takaful Operators ("RBCT") issued by BNM.

Auditors

The retiring auditors, Messrs. Ernst & Young PLT, have expressed their willingness to be reappointed. Details of the auditors' remuneration are disclosed in Note 10 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 June 2023.

Datuk Johar Che Mat

Zaharudin Daud

Kuala Lumpur, Malaysia
20 June 2023

Corporate governance disclosures (as referred to in the Directors' Report)

The Board of Directors (“Board”) of Takaful Ikhlas Family Berhad remains committed towards maintaining high standards of corporate governance throughout the Company. The Board strives to continuously improve the effective application of the principles and best practices in conformity with the BNM's PD CG issued on 3 August 2016.

The Company’s policy is to implement these principles and best practices and to uphold high standards of business integrity in all its activities. This shall include a commitment to emulate good industry examples and to comply with guidelines and recommendations in the conduct of business activities within the Company.

Set out below is a statement on how the Company had applied the principles and complied with the best practices as prescribed under the PD CG during the financial year ended 31 March 2023.

Board of Directors

The Board is responsible for the proper stewardship of the Company’s resources, the achievement of the Company’s objectives and good corporate citizenship. It discharges these responsibilities by complying with all the relevant Acts and Regulations, including adopting the principles and best practices of the PD CG and Malaysian Code of Corporate Governance 2021 ("MCCG 2021"), where relevant.

The Board retains full and effective control over the Company’s affairs. This includes the responsibility to determine the Company’s development and overall strategic direction. Key matters such as the approval of financial results, major capital expenditures, budgets, business plans and succession planning for top management, are reserved for the Board or its appointed committees to deal with.

The meetings of the Board are chaired by the Non-Executive Chairman, whose role is clearly separated from the role of the President & Chief Executive Officer (“President & CEO”), who ensures that Board policies and decisions are implemented accordingly.

Board composition

The Board comprises members with relevant expertise and experience drawn from business, financial and technical fronts which strengthened leadership and management.

As at the date of this report, the Board comprises seven (7) members. Five (5) of these members are Independent Non-Executive Directors ("INED"), one (1) Non-Independent Non-Executive Chairman ("NINEC") and one (1) Non-Independent Executive Director ("NIED") who is the President & Group Chief Executive Officer ("President & GCEO") of MNRB.

As at the date of this report, the percentage of the Board composition is as follows:

	Composition	Percentage
NINEC	1/7	14%
NIED	1/7	14%
INED	5/7	72%

Board composition (cont'd.)

By virtue of this composition, the Company is in compliance with the following paragraphs of the PD CG:

(i) Paragraph 11.3 which requires that the Chairman of the Board must not be an executive director;

(ii) Paragraph 11.4 which requires that the Board must not have more than one (1) executive director unless otherwise approved by BNM in writing; and

(iii) Paragraph 11.6 which requires that the Board must have a majority of independent directors at all times.

Under the Company's Constitution, the number of Directors shall not be more than ten (10) and not less than five (5) Directors.

The Directors bring to the Board a wide range of knowledge and experience in relevant fields such as takaful and retakaful, accounting and finance, information technology, economics, investment, international business, banking and business operations. The Board has the necessary depth of experience and judgement to bear on issues of strategy, performance, resources and ethical standards. The Board is of the opinion that its current composition and size constitute an effective Board for the Company.

Key information on each Director is set out under the section 'Board of Directors' Profile' on pages 36 to 39.

Board Charter

The Board had formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set by the regulatory authorities. This Board Charter will be reviewed periodically when necessary to incorporate updates and enhancements to the existing rules and regulations. The Board Charter is available on the Company's website at https://www.takaful-ikhlas.com.my/corporate/corporate-governance.

Directors' Code of Ethics

The Directors observe a code of ethics in accordance with the code of conduct expected of Directors of financial service providers.

The Chairman is primarily responsible for the effective conduct and workings of the Board. The Chairman leads the Board in the oversight of the Management and in setting strategic business plans, goals and key policies of the Company to ensure the sustainability of long-term returns.

Directors' Independence and INED

The Board comprises a majority of INEDs.

The independence of the Directors is assessed by the Group Nomination & Remuneration Committee ("GNRC") and the Board in accordance with the requirements of BNM and the Company's Policy on Independent Directors.

The Independent Directors play a pivotal role in corporate accountability and provide unbiased and independent views and judgement in relation to the Board's deliberation and decision-making process. This is reflected in their memberships in the various Board Committees and attendance at meetings.

Directors' Independence and INED (cont'd.)

The Company determines the independence of its Directors in accordance with the requirements under the PD CG. Under the PD CG, an Independent Director of the Company is one who himself or any person linked to him is independent from Management, the substantial shareholders of the Company and/or any of its affiliates; and has no significant business or other contractual relationship with the Company or its affiliates within the last three (3) years and has not served for more than nine (9) years on the Board of the Company and the Group, except under exceptional circumstances and as approved by BNM.

All Independent Directors have demonstrated to the Board that they have exercised impartial and independent judgement while protecting the interests of the Company.

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationships with the Company (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Company and its shareholder. The Board is also satisfied that no individual or group of individuals dominate the decision-making process of the Board in ensuring a balanced and objective consideration of issues, thereby facilitating optimal decision-making.

MNRB Group Independent Director Policy

The Board of the Company had adopted the revised Group ID Policy.

The 9-year policy for the tenure of INEDs, which is implemented to ensure the continuous effective functioning of the Board remained unchanged. Due to the specialised nature of the Company's business, the Board is of the view that the maximum of nine (9) years is reasonable considering there are significant advantages to be gained from long-serving Directors who already possess tremendous insight and knowledge of the Company's business affairs.

The Board is of the opinion that the tenure of service of INEDs on the Board does not in any way interfere with their exercise of independent judgement and their ability to act in the best interests of the Company.

Before the removal or resignation of an Independent Director can take effect, the prior approval of BNM must be obtained.

In assessing independence, the Board evaluates the following criteria:

- the ability to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision-making for the good of the Company;

- a willingness to stand-up and defend their own views, beliefs and opinions for the ultimate good of the Company; and

MNRB Group Independent Director Policy (cont'd.)

In assessing independence, the Board evaluates the following criteria (cont'd.):

- an understanding of the Company’s business activities in order to appropriately provide responses on the various strategic and technical issues brought before the Board.

Appointment of Directors and Key Senior Management Officers

The Board ensures that a formal and transparent nomination process for the appointment of Directors and Key Senior Management Officers is continuously maintained and improved pursuant to the Terms of Reference ("TOR") of GNRC.

Individuals appointed to the Board and relevant senior positions must have the appropriate fitness and propriety to discharge their prudential responsibilities during the course of their appointment.

The appointment of new Board members is considered and properly evaluated by the GNRC. New nominees for Directors are assessed by the GNRC in accordance with the PD CG and the MNRB Group Fit and Proper Policy Procedure (“MNRB Group Fit & Proper Policy").

These assessments are carried out by an independent party based on information provided by each individual on matters such as criminal record, the record of material academic/professional qualifications, financial obligations and the execution of checks on bankruptcy and regulatory disqualification.

The GNRC discuss and deliberate on the above and conduct an interview session with the candidate. Upon completing this process, the GNRC shall recommend the proposed appointment to the Board for its deliberation and approval.

In making these recommendations, the GNRC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, as well as professionalism, integrity including financial integrity, competencies and other qualities, before recommending to the Board for appointment.

The GNRC and Board will devote sufficient time to review, deliberate and finalise the selection of Directors. The Company Secretary will ensure that all the necessary information is obtained and relevant legal and regulatory requirements are complied with. In this regard, the Board is also guided by the MNRB Group Fit & Proper Policy.

The GNRC conducts a yearly assessment on the suitability of the present Directors under the abovementioned MNRB Group Fit and Proper Policy. The fit and proper assessment for the Directors includes self-declaration and vetting by the Company for the purpose of ensuring that they are suitable to continue serving as Directors of the Company.

Appointment of Directors and Key Senior Management Officers (cont'd.)

The following aspects would also be considered by the Board in appointing/reappointing Directors:

- Character, integrity and reputation - the person must have key qualities such as honesty, independence of mind, integrity, diligence, and fairness and are of good repute in the financial and business community;
- Experience, competence and capability – the person must have the necessary skills, experience and ability to carry out the role; and
- Time and commitment – the person must have the ability to discharge role having regard to other commitment.

The Board’s expectations on the time commitment and contribution from the Directors will also be clearly communicated to the potential candidates. The GNRC will evaluate the candidates’ ability to discharge their duties and responsibilities as well as appropriate time commitment prior to recommending their appointment as Directors for the Board's approval.

Re-appointment and re-election of Directors

All Directors may subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or in accordance with Clause 22.3 of the Company’s Constitution, where one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at each Annual General Meeting ("AGM") and all retiring Directors can offer themselves for re-election.

Pursuant to PD CG, the Company is required to apply to BNM for the reappointment of its Directors at least three (3) months prior to the expiry of their terms of appointment as approved by BNM, should it wish to extend their appointments. Prior to such application, the relevant Directors will be assessed by the GNRC and the Board and they are required to give consent on their re-appointment prior to the recommendation being made.

In accordance with Clause 22.2 of the Company’s Constitution, Md Azmi Abu Bakar and Azizul Mohd Said will be retiring at the forthcoming Annual General Meeting and being eligible, had offered themselves for re-election.

In accordance with Clause 22.3 of the Company’s Constitution, Datuk Johar Che Mat and Woon Tai Hai will be retiring at the forthcoming Annual General Meeting and being eligible, had offered themselves for re-election.

Directors who are appointed by the Board during the financial year before the AGM are also required to retire from office and seek re-election by the shareholder at the first opportunity after their appointment.

Board and individual Directors' effectiveness

The Board members undertake a formal and transparent process, upon completion of every financial year, to assess the effectiveness of their fellow Directors, the Board as a whole and the performance of the President & CEO.

The Board and Individual Directors Evaluation is based on answers to a detailed questionnaire. The evaluation form is distributed to all Board members and covers topics which include, among others, the responsibilities of the Board in relation to strategic plan, fiscal oversight, risk management, Board composition and training needs.

Other areas which are assessed include the contribution of each and every member of the Board at meetings.

The GNRC, having deliberated the findings of the Board and Individual Directors Evaluation, will report to the Board the results and highlight those matters that require further discussion and direction by the Board.

The Board members' directorship in companies other than the Company, are well within the restriction of not more than five (5) directorships in public listed companies as stated in the PD CG.

Roles and responsibilities of the Chairman and President & CEO

The roles and responsibilities of the Chairman and the President & CEO are separated with a clear division of responsibilities as defined in the Board Charter. This distinction is to provide better understanding and distribution of jurisdictional responsibilities and accountabilities. The Chairman and the President & CEO are not related to each other.

The Chairman leads the Board and is also responsible for its performance. Together with the rest of the Board members, the Chairman sets the policy framework and strategies to align the business activities driven by the Senior Management team with the Company's vision and mission.

The President & CEO is mainly accountable for the day-to-day management to ensure the smooth and effective running of the Company. He is also responsible for the implementation of policies and Board decisions as well as coordinating the development and implementation of business and corporate strategies.

The President & CEO also ensures that the financial management practice is at the highest level of integrity and transparency for the benefit of the shareholder and the affairs of the Company are performed in an ethical manner.

Board meetings

The Board meeting dates for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and schedule these dates into their respective meeting schedules.

The Board has scheduled meetings at least six (6) times a year, in addition to the AGM. For the financial year ended 31 March 2023, the Board held twelve (12) meetings.

Technology and information technology are effectively used in Board meetings and communications with the Board. Board meeting materials are shared electronically and where required, Directors may participate in meetings via video conference.

All Directors have complied with the requirement to attend at least seventy five percent (75%) of Board meetings held during the financial year ended 31 March 2023 as required under Paragraph 9.3 of the PD CG.

The details of attendance of the Directors at Board meetings held during the financial year are as follows:

Directors	**Attendance**	**Percentage**
Datuk Johar Che Mat NINEC	12/12	100%
George Oommen INED	11/12	92%
Woon Tai Hai INED	12/12	100%
Noor Rida Hamzah INED (Retired with effect from 21 September 2022)	6/6	100%
Shareen Ooi Bee Hong INED	12/12	100%
Zaharudin Daud NIED	12/12	100%
Md Azmi Abu Bakar INED (Appointed with effect from 1 October 2022)	5/5	100%
Azizul Mohd Said INED (Appointed with effect from 1 March 2023)	1/1	100%

At each scheduled Board meeting, the financial performance and business reviews were discussed, including the Company's quarterly operating performance to date, against the annual budget and business plan previously approved by the Board for that financial year.

Board meetings (cont'd.)

The respective Board Committees' reports and recommendations are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly retained by the Company Secretary.

The Board delegates the day-to-day management of the Company's business to the Senior Management team, but reserves for its consideration of significant matters such as the following:

- Approval of financial results;
- Material acquisition and disposal of assets;
- Related party transactions of a material nature;
- Authority levels for core functions of the Company;
- Corporate policies on investments (including the use of derivatives) and risk management;
- Outsourcing of core business functions;
- Policies and procedures;
- Annual budget; and
- Capital Management Plan.

Directors' remuneration

(a) Remuneration policy and procedure

The GNRC recommends to the Board the appropriate remuneration packages for the Directors as well as the President & CEO and the key senior management officers in order to attract, motivate and retain the Directors, the President & CEO and the Key Senior Management Officers of the necessary caliber and quality as required by the Company. The remuneration packages for the Group Shariah Committee ("GSC") members are decided by the Board of MNRB.

The Company's remuneration policy is to reward the Directors, the President & CEO and the Key Senior Management Officers competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, the Committee takes into account comparable roles in similar organisations that may be the same in size, market sector or business complexity.

The President & CEO does not participate in any way in determining his individual remuneration.

All Directors are paid with fees which are recommended by the Board and approved annually by the shareholder at the AGM.

Directors' remuneration (cont'd.)

(a) Remuneration policy and procedure (cont'd.)

The remuneration structure of Directors of the Company are as follows:

- Fees for duties as Director and as member of the various committees of the Board as well as additional fees for undertaking responsibilities as the Chairman of the Board and the various Board Committees; and

- Meeting attendance allowance for each meeting attended.

The fees for Directors are recommended by the Board to the shareholder after deliberating the recommendations by the GNRC. The meeting attendance allowance for all Directors is also determined by the Board.

The Board has considered the market practices for Directors' remuneration, and has decided to use the following fee structure for computing the fees for each Director for the financial year ended 31 March 2023:

<table>
<tr><th></th><th></th><th>Meeting attendance allowance
RM</th><th>Annual fees
RM</th></tr>
<tr><td>Board</td><td>Chairman
Member</td><td rowspan="5">RM1,500 for each meeting attended</td><td>80,000
70,000</td></tr>
<tr><td>Audit Committee</td><td>Chairman
Member</td><td>22,000
17,000</td></tr>
<tr><td>Risk Management Committee</td><td>Chairman
Member</td><td>22,000
17,000</td></tr>
<tr><td>Group Nomination & Remuneration Committee</td><td>Member/Permanent Invitee</td><td>12,000</td></tr>
<tr><td>Group Investment Committee</td><td>Member</td><td>12,000</td></tr>
</table>

The details of the total remuneration of each Director of the Company during the financial year ended 31 March 2023 are disclosed in Note 11 of the financial statements. Directors' fees amounting to RM626,636.00 for the financial year ended 31 March 2023 will be proposed for approval at the forthcoming AGM of the Company. The fees were pro-rated based on appointment/resignation date.

Directors’ remuneration (cont'd.)

(a) Remuneration policy and procedure (cont'd.)

The remuneration of the GSC members is decided by the MNRB Board. The meeting attendance allowance and annual fees of the GSC members were shared equally with fellow subsidiaries of MNRB, namely Malaysian Reinsurance Berhad (for its Retakaful Division), Takaful Ikhlas General Berhad ("Takaful IKHLAS General") and the Company. The details of the Company's share of the total remuneration of each member of the GSC during the financial year ended 31 March 2023 is disclosed in Note 11 of the financial statements.

(b) Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors and Officers Liability Takaful Policy against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Remuneration Policy in respect of the President & CEO, Board Appointees and the Senior Management Officers

The objective of the Company’s remuneration policy is to attract, motivate, reward and retain quality personnel.

The remuneration of the President & CEO, the Board Appointees and the Senior Management Officers are reviewed and approved by the GNRC and the Board respectively.

The basic component of the remuneration package comprises a monthly basic salary. The variable component has been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company and approved by the GNRC and the Board. Such components comprise a performance-based variable bonus which is awarded once a year.

In awarding this variable component, the President & CEO, Board Appointees and Senior Management Officers' corporate and individual performance are measured using a balanced measurement approach that encourages business sustainability and ensures prudent risk taking.

The Company’s variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

Staffs engaged in all control functions including Actuarial and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domains.

Remuneration Policy in respect of the President & CEO, Board Appointees and the Senior Management Officers (cont'd.)

In such annual remuneration reviews, the GNRC takes into consideration factors such as market competitiveness and internal equity, and that the remuneration is commensurate with individual performance and contributions.

The annual budget for salary increment and performance-related variable bonus is submitted to the Board for approval. The competitiveness of the Company's compensation structure is reviewed when necessary, subject to relevancy and affordability, relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through a benchmarking exercise from a remuneration survey report conducted independently by consultants.

The Company is currently working on Retention Bonus Policy and talent retention risks assessment to help address talent issues but also compliment talent retention together with other areas such as talent and people management, career development and progression as well as salary and benefits reviews in a more holistic and integrated manner.

The total value of remuneration for the financial year is as follows:

	Unrestricted RM'000	Deferred RM'000	Remark
Fixed remuneration:			
- Cash-based	5,126	-	Salaries, allowance and EPF
- Other	31	-	Benefits-in-kind
Variable remuneration:			
- Cash-based	503	-	Bonus and EPF on bonus

Supply of information

All Directors have full and unrestricted access to all information pertaining to the Company's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

Supply of information (cont'd.)

Prior to Board meetings, every Director receives a notice of meeting, the agenda and Board papers. Sufficient time is given to the Directors to enable them to obtain further explanations, where necessary, so that there will be full participation by Directors at the meeting. The Board papers include the following:

- Reports and recommendations by the various Board Committees on issues deliberated at the respective Board Committee meetings;
- Financial statements on the Company's performance; and
- Compliance reports.

Proper guidelines have been given by the Board pertaining to the content, presentation style and delivery of papers to the Board for each Board meeting to ensure adequate information is disseminated to the Directors.

All Directors have direct access to the members of the Senior Management team and the services of the Company Secretary to enable them to discharge their duties effectively.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company’s expense.

Throughout their period in office, Directors are updated on the Company’s business, the competitive and regulatory environments in which it operates and other changes by way of written briefings and meetings with the Senior Management.

Conflict of interest

As per the Conflict of Interest Policy, Directors are required to declare their respective shareholdings in the Company and related companies and their interests in any contracts with the Company or any of its related companies. Directors are also required to declare their directorships and interests in other companies and shall abstain from any discussions and decision-making in relation to these companies if the interests are deemed to be material pursuant to CA 2016.

All disclosures by the Directors are properly retained by the Company Secretary.

Directors' training

The Company acknowledges that continuous education is vital for the Board members to gain insight into the regulatory updates and market developments in order to enhance the Directors' skills and knowledge in order to effectively discharge their responsibilities.

To enable them to contribute effectively from the outset of their appointment, all new Directors are required to undergo an induction programme where they are briefed on the Company, the formal statement of the Board's role, powers that have been delegated to the Company's Senior Management and Management committees as well as the Company's latest financial information.

Being a Director of a financial institution, it is mandatory for a newly appointed Director to attend the Financial Institution Directors' Education ("FIDE") Core Programme within one (1) year from the date of appointment. In the event that the new Director has completed the same in another financial institution previously, the Director should provide a copy of his/her FIDE certificate to the Company Secretary.

The Company Secretary facilitates the organising of internal training programmes and the Directors' participation in external programmes, in addition to keeping a complete record of the training programmes attended by the Directors.

During the financial year, all Directors, collectively or on their own, attended various seminars and programmes organised by professional bodies and regulatory authorities as well as those conducted in-house. These include the following:

- MNRB Knowledge Sharing Session – "MFRS9 Financial Instruments"
- Institute of Corporate Directors Malaysia - "Digital Awareness and Upskilling for Board"
- MNRB Knowledge Sharing Session – "Treaty Business, Underwriting Consideration and Action Taken to Address Recent Flood"
- Group Shariah Committee Engagement Session with the BOD – "Transcend MNRB Group to the Next Level of Takaful Innovation & Value Creation"
- MNRB Group Directors' Training – "Sustainability Awareness: Sustainability at Work"
- ICLIF Webinar - "Enhancing Effectiveness of Nominating Committees"
- MNRB Group Directors' Briefing - "Risk Management in Technology (RMiT)"
- EY Insurance Global Webinar
- ICDM - "Digital Awareness and Upskilling for Board"
- PNB Knowledge Forum 2022
- ASB - "Climate Change: Impact on Insurance Companies & Role of the Board"
- Securities Commission Malaysia - "Audit Oversight Board's Conversation with Audit Committees"
- ASB - "Sustainability and Its Impact on Organizations: What Directors Need to Know"
- ICLIF - "Digital Transformation"
- ASB - "Values as a Source of Competitive Advantage"

Board Committees

The Board has delegated specific responsibilities to three (3) Board Committees, as follows:

- Audit Committee ("AC");
- Risk Management Committee of the Board ("RMCB"); and
- Group Nomination & Remuneration Committee ("GNRC").

These Board Committees have their respective Terms of Reference, which clearly define their duties and obligations in assisting and supporting the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

(i) Audit Committee ("AC")

As at the financial year end, the AC comprises three (3) INEDs. One (1) member of the AC is a qualified accountant and member of the Malaysian Institute of Accountants. During the financial year, one (1) INED was appointed while one (1) INED ceased as the member of the AC.

The AC terms of reference include the review and deliberation of the Company's financial statements, the findings of the external and internal auditors, compliance-related matters, any related party transactions and any conflict-of-interest situations within the Company, as well as making recommendation to the Board on the appointment/re-appointment of the external auditors.

The composition including the tenure of the AC members had been reviewed during the financial year.

The AC is authorised by the Board to undertake any activity within its terms of reference and has unlimited access to all information and documents relevant to its activities and to both the internal and external auditors, as well as to all employees of the Company.

It is able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

It also has the authority to obtain independent legal or other professional advice as it considers necessary.

Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

During the financial year, six (6) AC meetings were held. Details of the AC members' attendance at the meetings held during the financial year were as follows:

	Attendance	**Percentage**
Chairman		
George Oommen	6/6	100%
Members		
Woon Tai Hai	6/6	100%
Md Azmi Abu Bakar (Appointed as a Member of AC with effect from 1 November 2022)	3/3	100%
Noor Rida Hamzah (Retired with effect from 21 September 2022)	3/3	100%

The main activities that took place during the meetings were:

- Reviewed the quarterly results, unaudited interim financial statements and year-end financial statements prior to approval by the Board;
- Reviewed the disclosures in the audited financial statements to be in compliance with regulatory requirements;
- Reviewed and recommended to the Board, the actuarial valuation of liabilities and regulatory capital requirements of the Company for quarterly and end-year financial result to be in compliance with Bank Negara Malaysia’s requirements;
- Deliberated on and recommended to the Board, the adoption of new Malaysia Financial Reporting Standards (“MFRS”) and Amendments / Annual Improvements to MFRSs that are effective for the financial year ended 31 March 2023;
- Deliberated on matters pertaining to the implementation of MRFS 17 - Insurance Contract;

Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

The main activities that took place during the meetings were (cont'd.):

- Deliberated and recommended to the Board, the payable amount for dividend for financial year ended 31 March 2022 and basis of the computation of the figure;

- Reviewed the Chairman's statement for inclusion in the Directors' report;

- Reviewed and recommended to the Board, the zakat payable amount and the basis of computation for the financial year ended 31 March 2022;

- Reviewed the results of the internal audit reports for the Company on the adequacy and effectiveness of governance, risk management and compliance process;

- Reviewed the Related Party Transactions as entered into by the Company on periodic basis, including understanding the relationship of the transacting parties, nature of these parties' business, the nature and timing of transactions and comparing the terms of the transactions with other third-party transactions;

- Evaluated the performance and recommended to the Board, the appointment and remuneration of the external auditors for the financial year ended 31 March 2023;

- Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements;

- Reviewed the external auditors' management letter and Management's response thereto. Meetings without the presence of the Management was also held with the external auditors on 13 June 2022 and 16 November 2022. Matters discussed during these meetings include key reservations noted by the external auditors during the course of their annual audit;

- Reviewed the internal audit plan for FYE 23/24 and external auditor audit plan for the year ended 31 March 2023;

- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised by both the internal and external auditors including status of completion achieved;

- Reviewed the compliance with the Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions as well as evaluated the effectiveness of the overall compliance risk of the Company; and

- Deliberated the progress of action plans to address Bank Negara Malaysian's concerns highlighted in Composite Risk Rating Letter for the year 2021.

Board Committees (cont'd.)

(ii) Risk Management Committee of the Board ("RMCB")

The Board has established a dedicated RMCB which oversees the management of the key risk and compliance areas of the Company and to ensure that the risk management and compliance management processes are in place and functioning effectively.

As at the financial year end, RMCB comprises three (3) INEDs and one (1) Non-Independent Non-Executive Director ("NINED"). One (1) INED, a newly appointed member was subsequently, replaced by one (1) INED during the financial year end. The RMCB is responsible for the following:

- Review and recommend risk management strategies, policies, risk appetite and tolerance limits to the Board;
- Review and recommend compliance management strategies and policies to the Board;
- Review the adequacy of the Group Risk Management Framework and Policy (“RM Framework”), Group Compliance Management Framework, and other risk and compliance-related frameworks, policies and systems, and the extent to which these are operating effectively in supporting the Company’s corporate objectives;
- Ensure sound internal governance and adequate infrastructure, resources and systems are in place for an effective risk management and compliance management, and the staffs responsible for implementing risk management and compliance management systems perform those duties independently;
- Provide oversight and stewardship by reviewing, deliberating on, challenging and acknowledging the key risks and compliance matters identified and reported by the Group Management Risk & Compliance Committee ("GMRCC");
- Ensure the Company has the appropriate mechanisms in place to manage, communicate and report potential significant risks to the Board;
- Ensure alignment of risk and compliance activities with the relevant strategies and policies approved by the Board;
- Ensure risk management and compliance management are well-integrated and embedded into the culture and business operations of the Company; and
- Examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

Board Committees (cont'd.)

(ii) Risk Management Committee of the Board ("RMCB") (cont'd.)

During the financial year, six (6) RMCB meetings were held. Details of the RMCB members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Woon Tai Hai	6/6	100%
<u>Members</u>		
Shareen Ooi Bee Hong	6/6	100%
Datuk Johar Che Mat	6/6	100%
Md Azmi Abu Bakar (Appointed as a RMCB Member with effect from 1 November 2022 and ceased with effect from 1 March 2023)	2/2	100%
Azizul Mohd Said (Appointed as a RMCB Member with effect from 1 March 2023)	1/1	100%

Board Committees (cont'd.)

(iii) Group Nomination & Remuneration Committee ("GNRC")

The GNRC is established to support and advise the Board of Directors in fulfilling its responsibilities to ensure inter alia that the Board and the key management personnel of the Company comprise individuals with the appropriate mix of qualifications, skills and experience. Proposals by the Company to the GNRC shall be deliberated upon and its recommendations be escalated to the Board of the Company for its decision.

Shareen Ooi Bee Hong was appointed as the Permanent Invitee of GNRC representing the Company.

During the financial year, ten (10) Group Nomination & Remuneration Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year were as follows:

The GNRC comprises three (3) INEDs.

Details of the GNRC members' and Permanent Invitees' attendance at the GNRC meetings were as follows:

	Attendance	**Percentage**
<u>Chairman</u>		
Zaida Khalida Shaari INED, MNRB	10/10	100%
<u>Members</u>		
Junaidah Mohd Said INED, MNRB	10/10	100%
Khalid Sufat INED, MNRB	10/10	100%
Shareen Ooi Bee Hong *Permanent Invitee representing the Company*	10/10	100%
Dr. Wan Zamri Wan Ismail *Permanent Invitee representing Takaful Ikhlas General Berhad*	9/10	90%

Other Oversight Committees

The Board also maintained another two (2) non-mandated oversight committees to support the Board in carrying out its functions as follows:

(a) Group Investment Committee

Effective from 1 January 2022, the Board is advised by the Group Investment Committee of MNRB ("GIC"). The GIC oversees, guides and monitors the investment operations of the MNRB Group as well as approves recommended investment related transactions. The Committee is also responsible to note and approve specific transactions of a nature that, by regulation, requires awareness of and sanctioning by the Board.

George Oommen was appointed to represent the Company as a member in the GIC.

The GIC comprises four (4) INEDs, one (1) NINED and one (1) NIED during the financial year end. The GIC is chaired by an INED.

(b) The Information Technology Oversight Committee

The Board is advised by the Information Technology Oversight Committee (“ITOC”) to assist the Board in discharging its responsibility to ensure that material investments in the Company’s technology projects and programs are aligned with its organisational strategy, achieve intended business outcomes, and are effectively managed in a way that mitigates risks.

The ITOC comprises three (3) INEDs and one (1) NINED with the majority of whom are independent during the financial year end. The ITOC is chaired by an INED.

Group Shariah Committee

The Company is advised by the GSC of MNRB. The GSC as an integral function of Shariah governance is responsible to provide Shariah advisory oversights and to ensure compliance of the Group's Takaful and Retakaful business activities with Shariah principles during the reporting period.

The establishment of GSC is in compliance with IFSA 2013 and BNM’s policy document BNM/RH/PD 028-100 Shariah Governance (“PD SG”) which outlines the BNM’s strengthened expectations for effective Shariah governance arrangements that are well-integrated with business and risk strategies of the Islamic financial institutions ("IFI").

Any Shariah non-compliance risk is reported to the GSC and the Board. The effective management of the Shariah non-compliance risk is ensured through the Shariah Control Function i.e. Shariah Review, Shariah Audit and Shariah Risk Management and presentation of a periodic report on Shariah non-compliance and highlights of action plans undertaken to address any Shariah non-compliance risk.

The GSC of MNRB consists of five (5) members with the majority of members are Shariah qualified person that fulfilled the requirement of BNM’s PD SG under paragraph 12.2.

The GSC plays a significant role in providing objective and sound advice to the Company’s Takaful business to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- Providing a decision or advice to the Company’s management on the application of any rulings of the Shariah Advisory Council ("SAC") of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Company;
- Providing a decision or advice on matters which require a reference to be made to the SAC of BNM;
- Providing a decision or advice on the operations, business, affairs and activities of the Company’s takaful business which may trigger a Shariah non-compliance event;
- Deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- Endorsing a rectification measure to address a Shariah non-compliance event.

Group Shariah Committee (cont'd.)

A total of six (6) GSC meetings were held during the financial year. Details of the GSC attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Assoc. Prof. Dr. Said Bouheraoua (Resigned with effect from 2 November 2022)	3/3	100%
Prof. Dr. Younes Soualhi (Appointed with effect from 3 November 2022)	3/3	100%
<u>Members</u>		
Dr. Shamsiah Mohamad	6/6	100%
Shahrir Sofian	6/6	100%
Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Haji Abdullah	4/6	67%
Dr. Khairul Anuar Ahmad (Appointed with effect from 1 July 2022)	5/5	100%
Yang Amat Arif Dato’ Setia Dr. Haji Mohd. Na’im Haji Mokhtar (Resigned with effect from 3 December 2022)	4/4	100%

Key information on each of the GSC member is set out under the section ‘Group Shariah Committees Members Profile’ on pages 40 to 41.

Whistleblowing

The Company is committed to carrying out its business in accordance with the highest standards of professionalism, honesty, integrity and ethics. Accordingly, the Company adopts the MNRB Group's Whistleblowing Policy which was established with the following objectives:

- To help develop a culture of accountability and integrity within the Company;
- To provide a safe and confidential avenue for all employees, external parties and other stakeholders to raise concerns about any misconduct;
- To reassure whistleblowers that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith; and
- To deter wrongdoing and promote standards of good corporate practices.

Whistleblowing (cont'd.)

The MNRB Group's Whistleblowing Policy governs the disclosures, reporting and investigation of misconduct within the Company as well as the protection offered to the persons making those disclosures ("whistleblower") from detrimental action in accordance with the Whistleblower Protection Act, 2010.

It is the Company’s policy to encourage its employees and external parties to disclose any misconduct, and to fully investigate reports and disclosures of such misconduct, as well as to provide the whistleblower protection in terms of confidentiality of information, and to safeguard the whistleblower from any act of interference that may be detrimental to the whistleblower. The Company assures whistleblowers that all reports will be treated with strict confidentiality and upon verification of genuine cases, prompt investigation will be carried out.

The official avenues for disclosure by the whistleblower are via any of the following recipients:

- The Chairman of the Board of Directors of MNRB;
- The Chairman of the Audit Committee of MNRB; or
- The President & Group CEO of MNRB.

The disclosure of misconduct or wrongdoing shall be made in writing via email to disclosure@mnrb.com.my.

Anti-Bribery and Corruption Policy

The Company has zero tolerance for bribery and corruption and strictly follows the MNRB Group‘s Anti-Bribery and Corruption Policy (“ABC Policy”) where the Company’s associated persons shall not, directly or indirectly, offer, promise, give, solicit, accept, or agree to accept, or attempt to obtain bribes in order to achieve business or personal advantages for themselves or others, or engage in any transactions that can be construed as having contravened the anti-corruption laws of Malaysia.

Pursuant to the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (“MACCA 2018”), specifically in lieu of the implementation of the corporate liability provisions which has taken effect from 1 June 2020, the Company had and will continue to carry out measures to ensure that the Company has adequate procedures put in place as per the MNRB Group’s Organisational Anti-Corruption Plan (“GACP”).

The above mentioned GACP follows the principle of **T.R.U.S.T** (**T**-Top level commitment; **R**–Risk assessment; **U**–Undertake control measures; **S**–Systematic review, monitoring and enforcement; and **T**-Training and communication) as promulgated by the Guidelines of Adequate Measures issued by the Prime Minister’s Department.

Accountability and Audit

(i) Financial reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements. The Audit Committee of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness. The Directors are responsible for ensuring that the accounting records are kept properly and that the Company's financial statements are prepared in accordance with applicable approved accounting standards in Malaysia.

The Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016 is set out on page 42.

(ii) Internal control and risk management

Responsibility

The Board of MNRB acknowledges its overall responsibility for the establishment and oversight of the Group's (comprising MNRB and its main operating subsidiaries) risk management and internal control system, as well as the review of its adequacy and effectiveness. The Board also recognises that risk management is a continuous process, designed to manage risks impacting the Group's business strategies and objectives, within the risk appetite and tolerance established by the Board. In pursuing these objectives, internal control system can only provide reasonable, but not absolute, assurance against any material financial misstatement, fraud or losses.

The Board has established a group-wide risk management framework, i.e. the Group Risk Management Framework and Policy ("RM Framework") that describes the structure, approach and process for identifying, evaluating, responding to, monitoring and managing the significant risks faced by MNRB Group. The RM Framework has been in place since the financial year ended 31 March 2022 and the annual review has been completed in February 2023.

The RM Framework is applicable across MNRB Group and serves as a central risk management framework, supported by related sub-frameworks, policies and underlying procedures. It is consistent with the risk appetite defined by the Board, GMRCC and based on principles of risk governance stipulated in BNM Risk Governance Guidelines.

The Board is confident that the RM Framework provides reasonable assurance on the effectiveness and efficiency of the strategic, financial and operational aspects of MNRB and its main operating subsidiaries. The RM Framework is regularly reviewed by the Board.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management Governance

- A dedicated Board Committee known as the RMCB have been established at MNRB and each of its main operating subsidiaries to support the Board in meeting the expectations and responsibilities on risk and compliance management, provides assurance to the Board that the processes have been carried out effectively and inculcates a strong risk management culture on a group-wide basis. There are clearly defined responsibilities and reporting to the RMCB from the management to provide oversight and governance over the Group's activities, which aims to safeguard shareholders' interests and the Group's assets, as well as to manage the risks of MNRB and its main operating subsidiaries for the entirety of the financial year ended 31 March 2023.

- The GSC was established to provide objective and sound advice to the Group to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

- The Group Management Committee ("GMC"), together with the Senior Management Committee ("SMC") of its main operating subsidiaries oversee the implementation of risk and compliance management processes, establish and implement appropriate organisational structures and systems for managing financial and non-financial risks.

- Dedicated Management Committee known as the GMRCC has been established to support the GMC/respective SMCs to implement the risk and compliance management processes, establish clear guidance in managing the Group's risks to ensure their alignment to their respective risk appetite for all business strategies and activities.

- The risk governance structure is aligned across the Group through the adoption of the RM Framework in order to embed a streamlined and coherent risk management culture. The day-to-day responsibility for the risk management function lies primarily with those entrusted with risk management responsibilities in the business and support units. The Group Chief Risk Officer ("GCRO") oversees risk governance across the Group and is supported by the Head of Risk Management of Takaful IKHLAS Family Berhad and Takaful IKHLAS General Berhad ("Takaful subsidiaries"). Together, they assist the GMRCC and the respective RMCBs in ensuring effective implementation and maintenance of RM Framework and its sub-framework. Primarily, the Takaful subsidiaries provide the necessary infrastructure to carry out the risk management function and the Risk Management Department acts as the central contact and guide for risk management issues within the respective companies.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management Governance (cont'd.)

- The Group adopts the ‘Three Lines of Defence (“LOD”)’ governance model which provides a formal, transparent and effective risk governance structure to promote active involvement from the Board, Senior Management and all staff in the risk management process across the Group.

Risk Management and Internal Control Structure

The key features that the Board has established in reviewing the adequacy and effectiveness of the risk management framework and internal control system include the following:

(i) Group Risk Management Framework and Policy

- RM Framework

  The Board believes that an effective RM Framework and strong internal control system is essential to the Group in its pursuit to achieve its business objectives, especially on the continued profitability and enhancement of shareholders’ value in today’s rapidly changing market environment.

- Risk Appetite

  Defining risk appetite is an essential element of the Group’s risk management. When deciding on its risk appetite, the Group considers its risk capacity, i.e. the amount and type of risk the Group is able to support in pursuit of its business objectives, taking into account its capital structure and access to financial market.

  The Risk Appetite Statement (RAS) was established by the Boards of MNRB and the respective subsidiaries and reviewed on a yearly basis, according to the desired level of risk exposures. Management operationalises the RAS into risk tolerance levels for specific risks.

- Highlights on Key Risks

  The Group, through its normal day-to-day business, is exposed to different types of risks that could adversely affect the Group’s operating results and financial position. Key risks are constantly monitored by the Management and escalated to the GMRCC and RMCB, and periodically reviewed by the Board.

  The Group’s key risks are described in the relevant sections of the Financial Statements.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management and Internal Control Structure (cont'd.)

(ii) Internal Audit

- The AC complements the oversight role of the Board by providing an independent assessment of the adequacy and effectiveness of governance, risk management and internal controls. The Audit Committee is assisted by an independent Internal Audit Department (IAD) in performing its role.

- The internal audit function of the Group is undertaken by the IAD established at MNRB. The department reports directly to the respective Audit Committees of the Group.

- The IAD performs regular reviews of the business processes of the Company to assess the adequacy and effectiveness of governance, risk management and internal controls.

- The IAD provides recommendations to improve on the effectiveness of risk management, controls and governance processes. Control lapses are escalated to Management and Board for deliberation, where necessary. Status of rectification is tracked and monitored by Management and Audit Committee, within the committed timeline. Management will accordingly follow through to ensure the resolution of recommendations agreed upon. Audit reviews are carried out on functions that are identified on a risk-based approach, in the context of the Group's evolving business and its regulatory environment, while also taking into consideration inputs of Senior Management as well as inputs from the respective Audit Committees.

- The AC meet at least once every quarter to review matters identified in reports prepared by the Internal Auditors, External Auditors, and Regulatory Authorities. It further evaluates the effectiveness and adequacy of the Group's internal control system. The Audit Committees have active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the Audit Committees during the year are highlighted in the Audit Committee Reports of MNRB and its main operating subsidiaries.

(iii) Other Key Elements of Internal Control

- The Board ensures that all decisions are communicated promptly to staff of all levels within the Group and vice-versa where feedback and suggestions on improvements could be communicated to the Management and the Board.

- The Group has a well-defined organisational structure with clear lines of responsibility and accountability. Further, to minimise errors and reduce the possibilities of fraud, segregation of duties is practised by ensuring conflicting tasks are assigned to different employees.

- Annual business plans and budgets are developed in line with the Group's strategies and risk appetite and submitted to the respective Boards for approval. Financial performance and major variances against targets are reviewed by the Management on a regular basis and reported to the Boards on a quarterly basis.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management and Internal Control Structure (cont'd.)

(iii) Other Key Elements of Internal Control (cont'd.)

- The Group's financial systems record all transactions to produce performance reports that are submitted to the respective Managements within internally stipulated timelines. These performance reports and the Quarterly Bursa Announcements are tabled to the Group Management Committee ("GMC") before being tabled to the respective Audit Committee and approved by the Boards.

- The Underwriting Guidelines for reinsurance, retakaful and takaful businesses have been put in place to manage risks that are being underwritten.

- Retrocession/retrotakaful and retakaful programmes are in place as risk mitigation initiatives, supported by a spread of reinsurers and retakaful operators with acceptable ratings from accredited agencies. The credit ratings of these companies are reviewed on a regular basis.

- Departmental policies and procedures are available and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. It also specifies relevant authority limits to be complied with by each level of Management.

- Every employee of the Group is contractually bound to observe the MNRB Group Code of Ethics, which promotes a culture of compliance, professionalism, ethical standards and responsible conduct. The Group expects each employee to perform and work with honesty and integrity at all times and uphold the Group's values without fail.

- The Group utilises the Skills Competency Matrix that provides a comprehensive view of the types and levels of skills and competencies needed for any particular job role. The competence of personnel is maintained through a structured recruitment process, a performance measurement and rewards system and a wide variety of training and development programmes.

- The Group implements the annual Mandatory Block Leave ("MBL") to create a positive talent management culture where the organisation does not have an overreliance on any particular employee, and as a prudent operational risk management measure particularly with regard to employees posted in sensitive positions or areas of operations such as underwriting, treasury, procurement or investment.

- An annual employee engagement survey is conducted with the objective to gauge the engagement level of employees, to gather their feedback on the effectiveness/ineffectiveness of the various employee touch points and to develop the necessary action plans for improvement of those areas.

- The Group Anti-Fraud Policy has been established to provide a consistent approach to prevent, detect and manage fraud, and to make a clear statement to all employees that the Group does not tolerate fraud of any form.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management and Internal Control Structure (cont'd.)

(iii) Other Key Elements of Internal Control (cont'd.)

- The Group Anti-Bribery and Corruption ("Group ABC") Policy has also been established to state the Board’s and Management’s commitment and stance on bribery and corruption risks, which include disciplinary actions for non-compliance, misconduct or breach of the policy.

  The Group ABC Policy addresses general guidelines on both internal and external concerns on bribery and corruption risk, such as Conflict of Interest, Illegal Gratification and Corrupt Practices, Gift & Entertainment, Corporate Social Responsibility activities, sponsorship and donations, as well as dealing with public officials and third parties.

- The Company adopts the Group Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT") Policy Statement to reflect the Company’s commitment in combating money laundering and financing of terrorism. The AML/CFT Policy Statement is further supported by the AML/CFT Standard Operating Procedures ("SOP").

- The Group has established the Group Anti-Money Laundering and Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT & TFS") Policy that reflects the Group’s commitment in combating money laundering and financing of terrorism. It also sets out the Group’s expectations on its relevant entities to be vigilant in ensuring proper controls and monitoring mechanisms to safeguard the entities against being used for money laundering or terrorism financing ("ML/TF") purposes.

- A Group Whistleblowing Policy has been put in place for employees, external parties and other stakeholders to raise concerns about illegal, unethical or unacceptable practices. This policy governs the disclosures, reporting, investigation of misconduct and protection offered to the person(s) making those disclosures in accordance with the Whistleblowing Protection Act 2010.

- A structured Business Continuity Management ("BCM") Programme is in place to ensure resumption of critical business operations within the pre-defined Maximum Tolerable Downtime ("MTD"). The Group has also established a Disaster Recovery Plan ("DRP") which outlines the processes and set of procedures to recover the Group’s IT infrastructure within a set Recovery Time Objective ("RTO").

- The BCM Programme and DRP are validated by conducting regular tests and updated as and when necessary.

- Sufficient takaful coverage, including covers for properties, employee-related, cyber security breaches, and Directors and Officers liabilities, are in place to ensure the Group is adequately protected against these risks and/or claims that could result in financial or reputational loss.

Accountability and Audit (cont'd.)

(ii) Internal control and risk management (cont'd.)

Risk Management and Internal Control Structure (cont'd.)

(iii) Other Key Elements of Internal Control (cont'd.)

- The Group Information Technology Steering Committee ("Group ITSC"), chaired by the President & Group Chief Executive Officer ("GCEO"), is established to oversee the implementation of IT strategic plans and provide direction in support of IT-related initiatives and activities. ITSC has also been established at respective main operating subsidiaries.
- The Information Communication & Technology Department ("ICTD") and Information Systems & Services Department ("ISSD") are established and responsible for continuously monitoring and responding to IT security threats, conducting awareness programmes, as well as performing assessments and network penetration test programmes.

(iii) Relationship with external auditors

Information on the role of the AC in relation to the External Auditors is set out under the section 'Board Committees' on pages 19 to 21.

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with approved accounting standards.

(iv) Management accountability

The Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all its Management and Executive employees and formal performance appraisals are done on a periodic basis.

Authority limits, as approved by the Board, are clearly established and made available to all employees.

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(v) Corporate independence

Significant related party transactions and balances are disclosed in Note 35 to the financial statements.

(vi) Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Board of Directors' profile

Datuk Johar Che Mat, Non-Independent Non-Executive Chairman

Male, Malaysian, an Independent Non-Executive Chairman since 3 January 2019 and was subsequently re-designated as Non-Independent Non-Executive Chairman/Director of the Company effective 1 July 2019. He is a member of the Risk Management Committee of the Board and Group Investment Committee of MNRB. He obtained a Bachelor of Economics Degree from University of Malaya in 1975. He has thirty-four (34) years of experience in the banking industry. He began his career in 1975 as an Officer at the Prime Minister's Department. In 1976, he joined Malayan Banking Berhad ("Maybank") where he served in various divisions including in senior positions as the Manager/Senior Manager covering the transactional banking (operations), retail finance, retail marketing and private banking. From 1993 to 1995, he was appointed as the Regional Manager for Maybank branches in Selangor and Negeri Sembilan. In 1996, he was promoted as the General Manager, Commercial Banking Division and subsequently served as the Senior General Manager, Corporate Banking and Enterprise Banking Division in 2000. In 2002, he was promoted as the Senior Executive Vice President, Retail Financial Services and was thereafter appointed as the Chief Operating Officer of the Maybank Group from 2006 till 2010. He is also a Director of MBSB Bank Berhad, Dagang NeXchange Berhad, Ping Petroleum Ltd and Motordata Research Consortium Sdn. Bhd. He was appointed as an Independent Non-Executive Chairman/Director of Takaful Ikhlas General Berhad (Takaful IKHLAS General) on 30 November 2018 and was subsequently re-designated as Non-Independent Non-Executive Chairman/Director of Takaful IKHLAS General effective 1 July 2019 following his appointment as Non-Independent Non-Executive Chairman at MNRB on even date. He was appointed as the new Non-Independent Non-Executive Chairman/ Director of Malaysian Reinsurance (Dubai) Ltd effective 5 January 2020. He was also appointed as an Independent Non-Executive Director of Edelteq Holdings Sdn Bhd with effect from 1 August 2022 and subsequently, as its Chairman on 4 August 2022. He had attended all twelve (12) Board meetings held during the financial year.

George Oommen, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director since 1 May 2018. He is the Chairman of the Audit Committee and a member of the Group Investment Committee of MNRB. He is a Chartered Accountant with the Malaysian Institute of Accountants. He is also a certified Accountant by the Chartered Association of Certified Accountants United Kingdom and The Malaysian Institute of Certified Public Accountants. He has thirty-six (36) years of experience in the insurance industry. He began his career in 1981 when he joined American International Assurance Company Ltd as an Accountant. In 1999, he joined AIG Lippo Life Insurance Company, Indonesia as Vice President-Director. He then joined TATA AIG Life Insurance Company, India, in 2001, as Managing Director. George Oommen later joined ACE INA Holdings Inc, India as Country Head/CEO in 2001. In 2003, he joined ACE Life, Cairo, Egypt as Chairman/Managing Director. In 2005, he joined ACE India Representative Office, India as Country Head/CEO. In 2006, he joined Signtech International Sdn Bhd as Chief Executive Officer. He later joined Dubai International Financial Centre ("DIFC"), United Arab Emirates ("UAE") in 2007 where he was appointed as the Executive Director, Business Development. In 2010, he joined Assicurazioni Generali S.p.A MENA Dubai, UAE as CEO & General Representative. He is also a Director of MNRB and Malaysian Re (Dubai) Ltd. On 7 January 2019, he was appointed as an Independent Non-Executive Chairman/Director of Malaysian Reinsurance Berhad. He was also appointed as the Chairman of Labuan Reinsurance (L) Ltd on 25 October 2019. He had attended eleven (11) of the twelve (12) Board meetings held during the financial year.

Board of Directors' profile (cont'd.)

Woon Tai Hai, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director (INED) since 1 September 2019. He is the Chairman of the Risk Management Committee of the Board, a member of the Audit Committee and the Chairman of IT Oversight Committee (ITOC). He obtained a Master's Degree in Business Administration, a Post Graduate Degree in Accounting and Finance from University of Technology, Sydney, Australia and a Bachelor of Science from University New South Wales, Australia. He has over thirty-five (35) years of experience in Information Technology (IT) and Risk Management. Upon graduation, he spent eleven (11) years working in the Financial Services Industry in Australia including Lloyds Bank NZA and Commonwealth Bank of Australia before returning to Malaysia in 1993. He later spent four (4) years working in a large local Systems integrator and Solutions provider focusing in the Malaysian Banking and Finance sector. In 1998, he joined KPMG Malaysia as a Director and held various positions including Executive Director, Chief Information Officer and Chief Knowledge Officer before he retired in 2013. Over the sixteen (16) years tenure with KPMG, he was admitted into the partnership and led multi-disciplinary (including cross regional engagements) team in assisting multi-national companies, small and medium enterprises, Government Ministries and Agencies and local clientele. After retiring from KPMG, he was appointed as Executive Director of BDO Consulting, Malaysia, where he continued as a Management Consultant for clients in IT and operational related engagements. In 2017, Woon opted for an early retirement from BDO to pursue other areas of interests. In 2018, he was appointed as an Advisor to the National Tech Industry Association Malaysia (PIKOM) and an Ex Officio by Malaysia Australia Business Council (MABC). Woon was also appointed as an INED of Takaful Ikhlas General Berhad effective 1 October 2019. On 25 August 2022, he was appointed as an INED of Day Three Digital Berhad. He had attended all twelve (12) Board meetings held during the financial year.

Shareen Ooi Bee Hong, Independent Non-Executive Director

Female, Malaysian, an Independent Non-Executive Director since 1 October 2019. She is a member of the Risk Management Committee of the Board and a Permanent Invitee of the Group Nomination & Remuneration Committee of MNRB Holdings Berhad. She obtained a Master's Degree in Business Administration from University of Applied Science, Bern Switzerland and a Diploma in Marketing from the Institute of Marketing, Malaysia. Being a dynamic and result-oriented person, she is known for her proven track record in sales and marketing having had more than thirty (30) years of experience in the field. She joined Sistem Televisyen Malaysia Berhad (TV3) in May 1985. She was later appointed as General Manager Marketing, Sistem Televisyen Malaysia Berhad in 2000 and had expanded her roles in spearheading four (4) television networks (TV3, ntv7, 8TV & TV9) under Media Prima TV (MPTV) Networks as Group General Manager in 2005. Her outstanding performance and vast contributions to MPTV saw her in a more challenging role as the Group Chief Marketing Officer, Media Prima Berhad leading the multi platforms and multi contents group marketing. Among her key contributions, she was appointed as a Board member of Joint Industry Committee Television Audience Research (JICTAR), Malaysian Advertising Association (MAA) council member, Audit Bureau of Circulation (ABC) and Association of Accredited Advertising Agents (4As) council member. She had attended all twelve (12) Board meetings held during the financial year.

Board of Directors' profile (cont'd.)

Md Azmi Abu Bakar, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director appointed since 1 October 2022. He is a member of the Audit Committee and IT Oversight Committee (ITOC). He obtained a Bachelor of Science in Actuarial Science in 1986 and a Master of Science in Statistics and Actuarial Science in 1988, both from The University of Iowa, USA. He is affiliated with Islamic Banking and Finance Institute Malaysia (IBFIM) as a certified trainer for various training and coaching programs. He was an Academic Fellow at the Institute of Islamic Banking and Finance (IIiBF), an institute under the International Islamic University Malaysia (IIUM). He is a qualified and experienced Takaful practitioner with over thirty (30) years of experience in the overall management of Takaful operations and over twenty (20) years at senior positions and top management levels. He started his career in Takaful Malaysia in 1989 where he served in various positions and responsibilities covering products development, sales, underwriting, claims, Retakaful and actuarial functions. He left Takaful Malaysia as the Chief Executive Officer before joining Noor Takaful Dubai, under the Dubai Group, in 2007. Over the years of his career, Md Azmi was involved in the setting up of a number of new takaful operators in the region and globally such as in Brunei, Indonesia, Sri Lanka as well as in the Middle East. In the past, he had held directorships in BIMB (Bank Islam) Securities Holdings Berhad, Islamic Banking and Finance Institute Malaysia (IBFIM) and Insurance Services Malaysia (ISM). He was also formerly a director of Asean Retakaful International (Labuan) Ltd, Asuransi Takaful Keluarga Indonesia, Amana Takaful Ltd Sri Lanka and Arab Malaysian Takaful Company Jeddah. He is a consultant at First International Consulting (FIC) Sdn Bhd, a company specialising in Islamic finance consulting training and advisory. He had attended five (5) of the twelve (12) Board meetings held during the financial year.

Azizul Mohd Said, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director appointed since 1 March 2023. He is a member of the Risk Management Committee of the Board. He obtained an Advance Diploma in Insurance Studies in 1993 and a Diploma in Banking Studies from the MARA Institute of Technology, Malaysia in 1987. He is also a Chartered Member of the Chartered Professional in Islamic Finance (“CPIF”). Azizul was employed at Bank Negara Malaysia from 1987 until his retirement in 2019, with his last posting as the Deputy Director - Insurance and Takaful Supervision Department. With his over thirty (30) years of extensive experience and knowledge in the management and regulation of insurance and takaful companies, he was responsible to regulate and supervise some local conglomerates, multi-national insurers/Takaful operators and professional foreign reinsurers/Retakaful operators. He was instrumental in supporting BNM’s efforts to implement its ‘Risk Based Supervisory Framework’ and spearhead the Department’s Anti-Money Laundering (“AMLCFT”) supervisory team. Over the years of his career, he also played an active role in the development of the insurance and Takaful companies financial submission system and databases, oversee training and development programs for the insurance supervisors and providing inputs in various policy standards, such as the Reinsurance Guidelines, Risk Management standards and Internal Audit Guidelines, the Takaful Operational Framework and Shariah Governance standards. He also served as a committee member of the Islamic Finance Services Board (“IFSB”) working group on the development of the Standards on Risk Management for Takaful Undertakings. He had attended one (1) of the twelve (12) Board meetings held during the financial year.

Board of Directors' profile (cont'd.)

Zaharudin Daud, Non-Independent Executive Director

Male, Malaysian, a Non-Independent Executive Director since 23 November 2020. He is a member of the Investment Committee and the Nomination Committee. He is also the President and Group Chief Executive Officer of MNRB Holdings Berhad ("MNRB"). He obtained Advanced Diploma in Business Studies from Institut Teknologi Mara and is an Associate of The Chartered Insurance Institute (ACII) since 1992. He started his career in an insurance Broking house and has exposures in Sales and Marketing, Operations, Retail Underwriting and Product Design in his thirty (30) years' experience in the general insurance business. He was also the Management Committee member of the Persatuan Insuran Am Malaysia (PIAM) and Life Insurance Association of Malaysia (LIAM) until 2018, and was also a Board member of ISM Insurance Services Malaysia Berhad (ISM) until August 2020. In early 2010, he was redeployed to Singapore to be the Principal Officer of Etiqa Singapore before returning to Malaysia to assume the position of the Chief Executive Officer of Etiqa Insurance Berhad in September 2014. Prior to joining MNRB Group, he was the Chief Executive Officer of Etiqa General Takaful Berhad from January 2018 to August 2020. He was also appointed as a Director of Malaysian Reinsurance Berhad and Takaful Ikhlas General Berhad effective 23 November 2020. Also a Director of associate company, Motordata Research Consortium Sdn Bhd. On 21 January 2021, he was appointed as a Director of Malaysian Re (Dubai) Ltd. He had attended all twelve (12) Board meetings held during the financial year.

Group Shariah Committee Members' profile

Prof. Dr. Younes Soualhi

Male, Algerian. Appointed as a new Chairman of Group Shariah Committee with effect from 3 November 2022. He obtained his Bachelor in Usul al Fiqh from Emir University of Islamic Sciences Algeria, Masters in Usul al-Fiqh from International Islamic University Malaysia and complete his Ph.D in Usul al-Fiqh from University of Malaya. He is a Registered Financial Planner (RFP) under Malaysian Financial Planning Council (MFPC) and a member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shariah sub-committee. He serves as a Senior Researcher and Deputy Director of Research Development and Innovation at International Shari’ah Research Academy for Islamic Finance (ISRA). He is also a Professor at INCEIF University, Malaysia. He is currently a Deputy Chairman of Shariah Committee of Al-Rajhi Bank, Malaysia, the sole Shariah advisor for Kuwait Retakaful (Labuan), the Chairman of Shariah council of experts for Salam Takaful, Nigeria and the Deputy Chairman of Aljazair Mutahidah Takaful company in Algeria. He was previously the Chairman of the Shari’ah board of Munich Re Retakaful and a member of Shari’ah Committee of HSBC Amanah Malaysia. He has extensive experience for almost 23 years and taught Islamic finance subjects such as Takaful and Retakaful courses for Masters and Ph.D levels. He had also published articles and books in Islamic Banking and Finance particularly on Takaful and Retakaful.

Dr. Shamsiah Mohamad

Female, Malaysian. Appointed as a Group Shariah Committee member on 3rd November 2020. Obtained her Ph.D specialising in Fiqh & Usul Fiqh from University of Jordan. She was an Associate Professor at the Academy of Islamic Studies in University of Malaya and a Senior Researcher at International Shari’ah Research Academy for Islamic Finance (ISRA). She sits on several Shariah Committee of prestigious financial institutions and has vast experience handling Shariah issues. She is also appointed as a Member of Shariah Advisory Council of Securities Commission Malaysia, Shariah Committee of Bursa Malaysia Securities Berhad, Shariah Supervisory Council of Bank Islam Malaysia Berhad, Shariah Committee of SME Bank and Shariah Committee of Association of Islamic Banking Institutions Malaysia (AIBIM). She was also a Shariah Advisory Council of Bank Negara Malaysia (BNM) from 2013 to 2019, specialising in Islamic Transaction.

Shahrir Sofian

Male, Malaysian. Appointed as a Group Shariah Committee member on 3 November 2020. Obtained his Master in Actuarial Science (with distinction) at City University, London. He also holds a double degree in Economics and Islamic Studies (majoring in Shariah) from local universities. He had serve in various departments with Bank Negara Malaysia (BNM) since 1987. He served as Manager in the Financial Sector Development Department and Manager of Insurance Development Department of BNM. He also managed and led the compliance review processes. He was involved in the formulation of Balance Score Card for Life Insurance/Family Takaful Agents under the LIFE framework, Development of Business Plan of the Insurance Development Department to be part of the Bank’s Business Plan, formulation of the policy document on direct channel, and the establishment of dedicated department (that is Islamic Banking and Takaful Department) to steer the progress and development of Islamic Financial System by providing justification for the establishment. He also has extensive experience in insurance regulations and operations.

Group Shariah Committee Members' profile (cont'd.)

Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Haji Abdullah

Male, Malaysian. Appointed as a Group Shariah Committee member on 3 November 2020. Obtained his Ph.D in Islamic Law of Property from University of Edinburgh, Scotland. He was the Head of Fiqh and Usul / Islamic Jurisprudence Department at University of Malaya. He currently serves as the Mufti of Wilayah Persekutuan. Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Haji Abdullah is also appointed as Shariah Committee Member of MBSB Bank, Shariah Panel Expert of Jabatan Kemajuan Islam Malaysia (JAKIM), Member of Association of Shariah Advisor in Islamic Finance (ASAS), Committee Member of Shariah Advisory Council of Amanah Raya Berhad (ARB) and Member of Administrative Committee for Wakaf MAIK – Muamalat. He is the Chairman of Madrasah Rahmaniah Pondok Lubuk Tapah, Pasir Mas, Kelantan and was a visiting Scholar at University of Edinburgh, Scotland in 2013. His areas of specialisation are Islamic Law of Property, Islamic Jurisprudence/Legal Theories and Shariah/Fiqh Textual Studies (Dirasah Nassiyyah).

Dr. Khairul Anuar Ahmad

Male, Malaysian. Appointed as a member of the Group Shariah Committee effective 1 July 2022. He holds a Ph.D in Islamic Banking and Finance from International Islamic University of Malaysia (IIUM). Currently, he serves as Senior lecturer at International Islamic University College Selangor (KUIS) and specialised in Fiqh Muamalat (Islamic Law of Transaction) and Islamic Economics & Banking. Currently, he is the Chairman of Shariah Committee at OCBC Al-Amin Bank Berhad, a member of the Shariah Committee at KOPSYA and Afshaa Shariah Advisory Sdn Bhd. He previously served as a Member of Shariah Committee, HSBC Amanah Berhad and FWD Takaful Bhd. He is also an ordinary member of Association of Shariah Advisors in Islamic Finance (ASAS). He has published several articles and research in Islamic Finance throughout his career as Lecturer.

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Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Johar Che Mat and Zaharudin Daud, being two of the Directors of Takaful Ikhlas Family Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 49 to 194 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with Shariah requirements and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2023 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 June 2023.

Datuk Johar Che Mat

Zaharudin Daud

Kuala Lumpur, Malaysia

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Hazmin Zainal (MIA membership no. CA 10577), being the officer primarily responsible for the financial management of Takaful Ikhlas Family Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 194 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Hazmin Zainal at Kuala Lumpur in Wilayah Persekutuan on 20 June 2023.

Hazmin Zainal

PESURUHJAYA SUMPAH
No. W 1006
MOHAMAD ZULISWANDI
BIN MOHAMED
1.12.2022 - 31.12.2024
MALAYSIA

Before me,

Commissioner for Oaths

Level 25, Menara Hong Leong,
No. 6, Jalan Damanlela Bukit Damansara,
50490 Kuala Lumpur.

Report of the Group Shariah Committee

بسم الله الرحمن الرحيم

In the name of Allah, the most beneficent, the most merciful

We, Prof. Dr. Younes Soualhi and Shahrir Sofian, on behalf of the members of the Group Shariah Committee of MNRB Holdings Berhad, which provides oversight over the management of Shariah matters of the Company, do hereby submit the following report on behalf of the members of the Committee:

Pursuant to our letter of appointment and terms of reference, we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 31 March 2023. We have also conducted our review to form an opinion pursuant to Section 30(1) of the IFSA 2013, as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM"), Shariah guidelines issued by BNM pursuant to Section 29 of the IFSA 2013, as well as Shariah decisions resolved by us.

The management of the Company is responsible for ensuring that the Company conducts its business in accordance with the principles of Shariah. It is our responsibility to form an independent opinion, based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by the Company.

We have 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 the Company has not violated any principles of Shariah.

In our opinion:

1. the contracts, transactions and dealings entered into by the Company during the financial year ended 31 March 2023 that we have reviewed are in compliance with the principles of Shariah;

2. the allocation of profit and surplus distribution between Shareholder's Fund, Participants' Individual Fund and Participants' Risk Fund conform to the basis that had been approved by us in accordance to the principles of Shariah;

3. there were no earnings that have been realised/unrealised from sources or by means prohibited by the principles of Shariah that have been considered for disposal to charitable causes;

Report of the Group Shariah Committee (cont'd.)

4. the calculation, payment and distribution of zakat are in compliance with the principles of Shariah, and

5. during the financial year, no Shariah non-compliant event was identified.

This opinion is rendered based on what had been presented to us by the management of the Company and its Shariah and Business Advisory Department. We, the members of the Group Shariah Committee, do hereby confirm, to our level best that the operations of the Company for the financial year ended 31 March 2023 have been conducted in conformity with the principles of Shariah.

Signed on behalf of the Group Shariah Committee.

Prof. Dr. Younes Soualhi

Shahrir Sofian

Kuala Lumpur, Malaysia
20 June 2023

Building a better
working world

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Independent auditors' report to the member of Takaful Ikhlas Family Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Takaful Ikhlas Family Berhad ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 194.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report (including the Corporate Governance Disclosures) and the Report of the Group Shariah Committee, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the member of
Takaful Ikhlas Family Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company 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 the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

200201025412 (593075-U)

Independent auditors' report to the member of Takaful Ikhlas Family Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company 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 of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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200201025412 (593075-U)

Independent auditors' report to the member of Takaful Ikhlas Family Berhad (cont'd.) (Incorporated in Malaysia)

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Hammami Bin Muhyidin
No. 03313/07/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 June 2023

Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 March 2023

	Note	2023 Shareholder's fund RM '000	2023 Family takaful fund RM '000	2023 Company RM '000	2022 Shareholder's fund RM '000	2022 Family takaful fund RM '000	2022 Company RM '000
Gross earned contributions	4	-	765,065	764,126	-	714,618	713,762
Earned contributions ceded to retakaful operators	4	-	(94,722)	(94,722)	-	(96,166)	(96,166)
Net earned contributions		-	670,343	669,404	-	618,452	617,596
Investment income	5	15,515	146,088	158,189	13,666	133,244	143,083
Realised gains	6	504	6,015	6,519	931	6,252	7,183
Fair value (losses)/gains	7	(41)	37,969	37,663	(786)	(47,113)	(47,635)
Fee and commission income	8	247,534	-	-	234,717	-	-
Other operating income	12	5,383	12,747	18,713	9,748	12,883	24,079
Other revenue		268,895	202,819	221,084	258,276	105,266	126,710
Gross claims and benefits paid		-	(424,321)	(424,321)	-	(398,193)	(398,193)
Claims and benefits ceded to retakaful operators		-	80,796	80,796	-	71,486	71,486
Gross change in certificate liabilities		-	(279,998)	(279,998)	-	(172,294)	(172,294)
Change in certificate liabilities ceded to retakaful operators		-	23,233	23,233	-	13,331	13,331
Net claims and benefits		-	(600,290)	(600,290)	-	(485,670)	(485,670)
Fee and commission expenses	9	(88,540)	(247,534)	(88,540)	(93,965)	(234,717)	(93,965)
Management expenses	10	(144,523)	(3,640)	(146,724)	(130,582)	(3,415)	(133,010)
Finance costs	17	(288)	-	(13)	(148)	-	(21)
Change in expense liabilities	13	(9,149)	-	(9,149)	(6,742)	-	(6,742)
Tax borne by participants	14	-	(14,885)	(14,848)	-	(6,120)	(6,120)
Other expenses		(242,500)	(266,059)	(259,274)	(231,437)	(244,252)	(239,858)
Operating profit/(loss)		**26,395**	**6,813**	**30,924**	**26,839**	**(6,204)**	**18,778**
(Surplus)/deficit attributable to participants	30	-	(6,813)	(4,222)	-	6,204	8,299
Profit before zakat and taxation		**26,395**	**-**	**26,702**	**26,839**	**-**	**27,077**
Zakat		(312)	-	(312)	(191)	-	(191)
Taxation	15	(5,527)	-	(5,575)	3,962	-	3,899
Net profit for the year		**20,556**	**-**	**20,815**	**30,610**	**-**	**30,785**
Basic earnings per share (sen)	31			5.1			7.6

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

Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 March 2023 (cont'd.)

	Note	2023 Shareholder's fund RM '000	2023 Family takaful fund RM '000	2023 Company RM '000	2022 Shareholder's fund RM '000	2022 Family takaful fund RM '000	2022 Company RM '000
Net profit for the year from:		20,556	-	20,815	30,610	-	30,785
Other comprehensive income:							
Items that will not be reclassified subsequently to profit or loss:							
Revaluation reserves:							
Net gains on fair value changes	16	-	-	2,628	-	-	2,095
Deferred tax on fair value changes	20	-	-	(210)	-	-	(168)
Items that may be subsequently reclassified to profit or loss:							
Fair value reserves:							
Net gains/(losses) on fair value changes		2,331	-	2,331	(3,582)	-	(3,582)
Deferred tax on fair value changes	20	(531)	-	(531)	903	-	903
Realised gains on fair value changes transferred to profit or loss	6	(118)	-	(118)	(181)	-	(181)
Other comprehensive income attributable to participants		-	-	(2,418)	-	-	(1,927)
Total comprehensive income for the year		**22,238**	**-**	**22,497**	**27,750**	**-**	**27,925**

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

200201025412 (593075-U)
Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of financial position
As at 31 March 2023

		2023			2022		
	Note	**Shareholder's fund RM '000**	**Family takaful fund RM '000**	**Company RM '000**	**Shareholder's fund RM '000**	**Family takaful fund RM '000**	**Company RM '000**
Assets							
Property and equipment	16	2,776	-	84,861	2,204	-	83,824
Right-of-use assets	17	4,686	-	161	6,346	-	437
Investment properties	18	-	82,085	-	-	81,620	-
Intangible assets	19	57,896	-	57,896	53,395	-	53,395
Deferred tax assets	20	19,147	-	19,147	16,627	-	16,627
Financial and other assets	21	556,145	3,965,928	4,505,889	522,900	3,744,872	4,222,926
Retakaful certificate assets	24	-	121,035	121,035	-	97,802	97,802
Takaful certificate receivables	22	-	46,718	46,718	-	41,048	41,048
Tax recoverable	23	12,501	-	12,501	6,803	-	6,803
Cash and bank balances		959	9,023	9,982	2,049	10,981	13,030
Total assets		654,110	4,224,789	4,858,190	610,324	3,976,323	4,535,892
Liabilities							
Takaful certificate liabilities	24	-	3,864,274	3,854,274	-	3,584,276	3,574,276
Expense liabilities	25	54,799	-	54,799	45,650	-	45,650
Lease liabilities	17	4,842	-	165	6,395	-	442
Takaful certificate payables	26	-	31,355	31,355	-	34,193	34,193
Commissions due to agents, retakaful and brokers		5,469	-	5,469	2,285	-	2,285
Deferred tax liabilities	20	-	5,486	6,402	-	2,628	3,323
Zakat payable		239	-	239	415	-	415
Tax payable		-	310	310	-	424	424
Other payables	27	59,479	123,106	180,113	43,535	161,357	173,957
Total liabilities		124,828	4,024,531	4,133,126	98,280	3,782,878	3,834,965
Participants' fund							
Family takaful fund	30	-	200,258	198,451	-	193,445	191,811
Total participants' fund		-	200,258	198,451	-	193,445	191,811
Equity							
Share capital	28	405,000	-	405,000	405,000	-	405,000
Reserves	29	124,282	-	121,613	107,044	-	104,116
Total equity		529,282	-	526,613	512,044	-	509,116
Total liabilities, participants' fund and equity		654,110	4,224,789	4,858,190	610,324	3,976,323	4,535,892

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

200201025412 (593075-U)
Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 March 2023

Shareholder's fund	Share capital RM '000	Non distributable fair value reserves RM '000	Distributable retained profits RM '000	Total RM '000
At 1 April 2021	405,000	1,423	82,871	489,294
Net profit for the year	-	-	30,610	30,610
Other comprehensive loss for the year	-	(2,860)	-	(2,860)
Total comprehensive (loss)/income for the year	-	(2,860)	30,610	27,750
Dividend paid	-	-	(5,000)	(5,000)
At 31 March 2022	405,000	(1,437)	108,481	512,044
At 1 April 2022	405,000	(1,437)	108,481	512,044
Net profit for the year	-	-	20,556	20,556
Other comprehensive income for the year	-	1,682	-	1,682
Total comprehensive income for the year	-	1,682	20,556	22,238
Dividend paid	-	-	(5,000)	(5,000)
At 31 March 2023	405,000	245	124,037	529,282

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

200201025412 (593075-U)
Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 March 2023 (cont'd.)

Company	**Share capital RM '000**	**Non distributable fair value reserves RM '000**	**Non distributable revaluation reserve RM '000**	**Distributable retained profits RM '000**	**Total RM '000**
At 1 April 2021	405,000	(1,751)	-	82,942	486,191
Net profit for the year	-	-	-	30,785	30,785
Other comprehensive (loss)/income for the year	-	(2,860)	1,927	-	(933)
Attributable to participants	-	-	(1,927)	-	(1,927)
Total comprehensive (loss)/income for the year	-	(2,860)	-	30,785	27,925
Dividend paid	-	-	-	(5,000)	(5,000)
At 31 March 2022	405,000	(4,611)	-	108,727	509,116
At 1 April 2022	405,000	(4,611)	-	108,727	509,116
Net profit for the year	-	-	-	20,815	20,815
Other comprehensive income for the year	-	1,682	2,418	-	4,100
Attributable to participants	-	-	(2,418)	-	(2,418)
Total comprehensive income for the year	-	1,682	-	20,815	22,497
Dividend paid	-	-	-	(5,000)	(5,000)
At 31 March 2023	405,000	(2,929)	-	124,542	526,613

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

200201025412 (593075-U)
Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 March 2023

	Note	2023 RM '000	2022 RM '000
Cash flows from operating activities			
Profit before zakat and taxation		26,702	27,077
Adjustments for:			
Depreciation of property and equipment	10	2,531	2,841
Depreciation right-of-use assets	10	276	718
Finance costs	17	13	21
Amortisation of intangible assets	10	10,146	8,798
Intangible assets written off	12	713	105
Net amortisation of premiums	5	2,058	2,034
Profit income	5	(155,085)	(139,056)
Rental income	12	(583)	(1,448)
Dividend income	5	(5,288)	(6,311)
Fair value (gains)/losses on financial assets at FVTPL	7	(37,663)	47,635
Allowance for/(reversal of) impairment on financial assets at FVOCI	12	1	(38)
Reversal of impairment on financial assets at amortised cost	12	-	(57)
Gains on disposal of investments	6	(6,519)	(7,183)
Gains on disposal of property and equipment	12	(16)	-
Gain on disposal of intangible assets	12	(398)	-
Reversal of impairment losses on takaful certificate receivables	12	(707)	(2,517)
Allowance for impairment on sundry receivables	12	1,600	-
Tax borne by participants	14	14,848	6,120
Increase in expense liabilities	13	9,149	6,742
Increase/(decrease) in family takaful fund	30	4,222	(8,299)
Operating cash flows before working capital changes		(134,000)	(62,818)
Changes in working capital:			
Net proceeds from net purchase of financial assets		(240,122)	(128,423)
Increase in deposit placements		(15,042)	(138,969)
Decrease in staff financing		211	803
Increase in retakaful certificate assets		(23,233)	(13,331)
(Increase)/decrease in takaful certificate receivables		(4,963)	9,554
Decrease/(increase) in other receivables and deposits		13,290	(18,728)
Movement in reserves		(428)	-
Increase in gross claims and certificate liabilities		279,998	172,294
Increase/(decrease) in takaful certificate payables and commissions due to agents, retakaful and brokers		346	(4,849)
Increase in other payables		825	42,545
Net change in balance with related companies		4,821	(3,553)
Operating cash flows after working capital changes		(118,297)	(145,475)

200201025412 (593075-U)
Takaful Ikhlas Family Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 March 2023 (cont'd.)

	Note	2023 RM '000	2022 RM '000
Cash flows from operating activities (cont'd.)			
Operating cash flows after working capital changes		(118,297)	(145,475)
Profit income received		152,259	137,649
Rental income received		583	1,448
Dividend income received		5,288	6,311
Income tax paid		(21,243)	(9,360)
Zakat paid		(462)	(310)
Payment of profit portion of lease liabilities	17	(13)	(21)
Net cash generated from/(used in) operating activities		**18,115**	**(9,758)**
Cash flows from investing activities			
Proceeds from disposal of property and equipment		16	-
Purchase of property and equipment	16	(940)	(1,724)
Proceeds from disposal of intangible assets		11,551	-
Purchase of intangible assets	19	(26,513)	(9,372)
Net cash used in investing activities		**(15,886)**	**(11,096)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	17	(277)	(689)
Dividend paid	36	(5,000)	(5,000)
Net cash used in financing activities		**(5,277)**	**(5,689)**
Net decrease in cash and bank balances		**(3,048)**	**(26,543)**
Cash and bank balances at beginning of year		**13,030**	**39,573**
Cash and bank balances at end of year		**9,982**	**13,030**
Cash and bank balances:			
Shareholder's fund		959	2,049
Family takaful fund		9,023	10,981
		9,982	13,030

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

Notes to the financial statements

1. Corporate information

The Company is principally engaged in the management of family takaful businesses and investment-linked takaful business.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No.17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The ultimate holding and financial holding company is MNRB Holdings Berhad ("MNRB"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The number of employees in the Company at the end of the financial year was 310 (2022: 309).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 June 2023.

2. Significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs applicable for annual financial periods beginning on or after 1 January 2022 as described fully in Note 2.25.

As at the financial year end, the Company has met the minimum capital requirements as prescribed by the RBCT issued by BNM.

In preparing the Company-level financial statements, the balances and transactions of the shareholder's fund are consolidated with those of the takaful fund. Interfund assets and liabilities, income, and expenses relating to transactions between the funds are eliminated in full during consolidation. The accounting policies adopted for the shareholder's and takaful funds are uniform for like transactions and events in similar circumstances.

The financial position and financial performance information of the shareholder's fund and family takaful fund which are presented on pages 49 to 50 and page 51 of the financial statements respectively have been provided as supplementary financial information and to comply with the requirements of BNM/RH/STD 033-5: Financial Reporting for Takaful Operators and BNM/RH/PD 029-36: Investment-linked Business issued by BNM. The Islamic Financial Services Act, ("IFSA") 2013 in Malaysia requires the clear segregation of the assets, liabilities, income and expenses of the shareholder’s fund and the respective takaful funds. Accordingly, the financial position and financial performance information of the shareholder's fund and family takaful fund as referred to above reflect only the assets, liabilities, income, expenses and other comprehensive income or losses of the individual funds.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise stated in the accounting policies.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Takaful operations and its funds

Under the concept of takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company manages the family takaful fund in line with the principles of Wakalah (agency), which is the business model used by the Company. Under the Wakalah model, the takaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the IFSA 2013, the assets and liabilities of the takaful fund are segregated from those of the takaful operator, a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the takaful fund are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

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

The inclusion of separate information of the takaful funds and the takaful operator together with the consolidated financial information of the Company in the statement of financial position and the profit and loss as well as certain relevant notes to the financial statements represents additional supplementary information required for BNM reporting.

2.3 Product classification

Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Underwriting risk is risk other than financial risk.

Takaful certificates are those certificates that contain significant underwriting risk. A takaful certificate is a certificate under which the participants' fund has accepted significant risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Company determines whether significant underwriting risk has been accepted by comparing benefits paid with benefits payable if the event had not occurred. If the ratio of the former exceeds the latter by 5% or more, the takaful risk accepted is deemed to be significant.

2. Significant accounting policies (cont'd.)

2.3 Product classification (cont'd.)

Conversely, investment contracts are those contracts that transfer financial risk with no significant takaful risk. Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life-time, even if the underwriting risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as takaful certificates after inception if takaful risk becomes significant.

When takaful certificates contain both a financial risk component and a significant underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit in the statement of financial position similar to investment contracts.

Based on the Company's product classification review, all products meet the definition of a takaful certificate.

2.4 Family takaful underwriting results

The family takaful underwriting results are determined after taking into account contributions, retakaful costs, net benefits incurred and wakalah fees.

The family takaful fund is maintained in accordance with the requirements of the IFSA 2013 and includes the amount attributable to participants.

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a Qard.

Surplus distributable to the participants is determined after deducting benefits paid and payable, retakaful, provisions, reserves, wakalah fees, taxation and surplus administration charge transferred to the shareholder's fund. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions prescribed by the Group Shariah Committee.

Family takaful fund's revenue consists of gross contributions and investment income. Revenue is accounted for on accrual basis and as approved by the Group Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities on the statement of financial position.

(i) Contribution recognition

Contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. First year contribution is recognised on the assumption of risks and subsequent contributions are recognised on due dates. Contributions outstanding at the financial year end are recognised as income for the period provided they are within the grace period allowed for payment and there are sufficient funds available in the participants' accounts to cover such contributions due.

2. Significant accounting policies (cont'd.)

2.4 Family takaful underwriting results (cont'd.)

(ii) Retakaful assets

The Company, as the operator of the participants' fund, cedes underwriting risk in the normal course of business for its takaful family business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions and benefits paid or payable are presented on a gross basis.

Retakaful assets represent balances due from retakaful operators for takaful certificate liabilities which have yet to be settled at the financial year. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the underlying takaful certificate and the term of the relevant retakaful arrangement.

Retakaful assets are assessed for impairment at each financial year end or more frequently when an indication of impairment arises during the financial year. Impairment is recognised when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful assets that the Company may not receive all outstanding amounts due under the terms of the certificate and the event has a reliably measurable impact. The impairment loss is recorded in the profit and loss, if any.

Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful certificates.

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

Retakaful certificates that do not transfer significant underwriting risk are accounted for directly in 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.

(iii) Net benefit incurred

The net certificate benefits comprise of all payments to participants, comprising claims and participant fund values payable upon takaful events, or surrender and withdrawals.

(iv) Wakalah fee expense

Wakalah fee expense are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

2. Significant accounting policies (cont'd.)

2.4 Family takaful underwriting results (cont'd.)

(v) Family takaful certificate liabilities

(a) Provision for outstanding claims

Claims and benefits paid that are incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs, are accounted for using the case basis method, and for this purpose, the benefits payable under a takaful certificates are recognised as follows:

(a) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on those due dates; and

(b) Death, surrender and other benefits without due dates are treated as claims payable on receipt of intimation of death of the certificate holder or occurrence of contingency covered.

(b) Participants individual fund and participants risk fund

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged to the participants.

For a one-year family certificate or a one-year extension to a family certificate covering contingencies other than life or survival, the liabilities for such family takaful certificates comprise contribution and claim liabilities with an appropriate allowance for Provision of Risk Margin for Adverse Deviation ("PRAD") from the expected experience.

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by BNM. All family takaful liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the appropriate risk discount rate. In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount as declared to the participants are set as the liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

The family takaful certificate liabilities are derecognised when the certificates expired, discharged or cancelled. At each financial year end, an assessment is made of whether the recognised family takaful certificate liabilities are adequate by using an existing liability adequacy test.

2. Significant accounting policies (cont'd.)

2.4 Family takaful underwriting results (cont'd.)

(b) Participants individual fund and participants risk fund (cont'd.)

In respect of the family takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured. For investment-linked business, the fund value is treated as liabilities.

Surplus arising from the difference between the value of the family takaful fund and the liabilities, including retained surplus, will be distributed to the participants after deducting the Company's surplus administration charge, if applicable.

If the difference between the value of the family takaful fund and the liabilities results in a deficit, the Company will arrange a Qard which will be repaid to the shareholder's fund when the returns to a surplus position.

(c) Net asset value attributable to participants (creation/cancellation of units)

Amounts received for units creation represent contributions paid by participants after deducting the wakalah fees or unitholders as payment for new certificates. Creation/cancellation of units are recognised in the financial statements at the next valuation date, after the request to purchase/sell units are received from the participants or unitholders.

2.5 Shareholder's fund

(i) Revenue

Revenue is recognised when the performance obligation is satisfied at an amount that reflects the consideration to which the Company expect to be entitled.

(a) Wakalah fee income

Wakalah fee income are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

(b) Investment performance fee

The investment performance fee is the charge on the participants' individual fund's investment returns, which is payable to the shareholder’s fund.

(c) Surplus administration charges

The surplus administration charge is the fee charged by the Company for managing the participants' risk fund.

(ii) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions of family takaful certificates, are recognised as incurred and properly allocated to the periods in which the future economic benefit arises. Commission expenses are recognised in profit or loss of the shareholder's fund at an agreed percentage for each certificate underwritten. This is in accordance with the principles of wakalah as approved by the Group Shariah Committee and as agreed between the participants and the Company.

2. Significant accounting policies (cont'd.)

2.5 Shareholder's fund (cont'd.)

(iii) Expense liabilities

The expense liabilities is determined by Appointed Actuary based on the expected future expenses payable from the shareholder's fund in managing the family takaful fund for the full contractual obligation of the unexpired takaful certificates as at the end of the financial year, less any expected income of the shareholder's fund. The movement in expense liabilities is released over the term of the takaful certificates and recognised in profit or loss. The method used for the expense liabilities valuation is consistent with the method used to value family takaful liabilities valuation as detailed in Note 2.4(v)(b).

At each financial year end, the Company reviews the expense liabilities of the shareholder's fund to ensure that the carrying amounts are sufficient or adequate to cover the obligations of the shareholder's fund for all managed in-forced takaful certificates as at the financial year.

In performing this review, the Company considers all contractual cash flows and compares the result against the carrying value of expense liabilities. Any deficiency is recognised in profit or loss.

The estimation of the expense liabilities of the shareholder's fund performed at the financial year end is part of the liability adequacy test performed by the Company.

2.6 Property and equipment

(i) Recognition and measurement

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment are recognised as an asset, if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Subsequent to recognition, equipment are stated at cost less accumulated depreciation and any impairment losses, whilst properties (which comprise land and buildings) are stated at revalued amount less subsequent accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

In respect of buildings, valuations are performed with sufficient frequency to ensure that the carrying amount does not differ materially from the fair value of the buildings at the financial year end.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item, if any, is transferred directly to retained profits.

2. Significant accounting policies (cont'd.)

2.6 Property and equipment (cont'd.)

(i) Recognition and measurement (cont'd.)

Only assets costing above RM300 will be capitalised. Assets costing RM300 and below are charged to the profit or loss in the year of purchase.

Assets costing more than RM300 up to a maximum of RM1,000 are written down to RM1 in the year of purchase. The write down is charged to the profit or loss as depreciation.

Work-in-progress are not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it will be reclassified to the relevant category of property and equipment and depreciation of the asset begins.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Buildings	2%
Computer equipment - hardware	10% - 33.3% (2022: 33.33%)
Furniture, fittings and office equipment	10% (2022: 15%)
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at end of each financial year to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

(iv) Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. On disposal of equipment, the difference between net proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

2. Significant accounting policies (cont'd.)

2.7 Investment properties

Investment properties are properties which are owned or held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in fair value of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in profit or loss in the year in which they arise.

2.8 Intangible assets

Intangible assets comprise software development costs, computer software and licences and preferred partnership fee in relation to bancatakaful arrangement.

All intangible assets are initially recorded at cost. Subsequent to initial recognition, intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in profit or loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives. The preferred partnership fees are amortised based on actual contribution received over total committed contribution or a straight-line basis over the estimated economic useful lives depending on the pattern in which the future economic benefit are expected to be consumed by the Company. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually at the end of each financial year. Amortisation is charged to the profit or loss.

2. Significant accounting policies (cont'd.)

2.8 Intangible assets (cont'd.)

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Software development-in-progress

Software development-in-progress represent development expenditure on software.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the assets is not available for use, it is tested for impairment annually.

(ii) Computer software and licences

The useful lives of computer software and licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and licences are amortised using the straight-line method over their estimated useful lives not exceeding fifteen (15) years (2022: 6 years). Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each financial year end.

(iii) Preferred partnership fee in relation to bancatakaful arrangement

The preferred partnership fee represents an upfront fee paid by the Company to an Islamic bank under a 5-years preferred bancatakaful arrangement.

Following the initial recognition of the cost of preferred partnership fee, the fee is amortised based on the straight line method, until the expiry of the contract which is within five (5) years. Upon the expiry of the contract, if the total projected production is not met, the contract may be extended for an additional period of time as mutually agreed between the Company and the bank.

2. Significant accounting policies (cont'd.)

2.9 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(a) Classification of financial assets

The classification of financial assets at initial recognition depends on the Company’s business model for managing the financial assets and the financial asset's contractual cash flow characteristics, as described in Notes 2.9(b) and 2.9(c). All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (“SPPI”)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Despite the above, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Company may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at AC (for debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (for debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (for equity instruments); or
- Financial assets at FVTPL.

(i) Financial assets at AC

Debt instruments that meet the following conditions are measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(i) Financial assets at AC (cont'd.)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation (using the effective profit method) of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Profit income is recognised using the effective profit method for debt instruments measured subsequently at AC and at FVOCI. For financial assets other than purchased or originated credit impaired financial assets, profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective profit rate to the amortised cost of the financial asset. If, in subsequent financial years, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Company recognises profit income by applying the credit adjusted effective profit rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

The financial assets at AC include deposit placements with licensed banks, secured staff financing and other receivables.

(ii) Financial assets at FVOCI with recycling of cumulative gains and losses

Debt instruments that meet the following conditions are measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at FVOCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at AC. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the profit or loss.

Financial assets classified as FVOCI with recycling include unquoted debt instruments and government investment issues.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(iii) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition

Upon initial recognition, the Company can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in equity instrument within the scope of MFRS 9 *Financial Instruments* that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve. Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as investment income in profit or loss when the right to receive payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company has not elected to classify any equities under this category.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL, specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition.
- Debt instruments that fail the SPPI test are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has designated debt instruments under the family takaful fund as financial assets at FVTPL.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(iv) Financial assets at FVTPL (cont'd.)

Financial assets at FVTPL are measured at fair value at the end of each financial year, with any fair value gains or losses recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or profit earned on the financial asset.

(b) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support takaful liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and participants as well as for future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- How certificate holders are compensated - e.g. whether compensation is based on the fair value of the assets management or the contractual cash flows collected;
- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(b) Business model assessment (cont'd.)

The Company should assess its business models at each financial year in order to determine whether the models have changed since the preceding period. Changes to business models are not expected to be frequent but should such event take place, it must be:

- Determined by the Company's key management as a result of external or internal changes;

- Significant to the Company's operations; and

- Demonstrable to external parties.

A change in the business model will occur only when the Company begins or ceases to perform an activity that is significant to its operations. Changes in the objective(s) of the business models must be effective before the reclassification date.

(c) The SPPI Test

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation/accretion of the premium/discount).

The most significant elements of profit within a debt arrangement are typically the consideration for the time value of money and credit risk. In assessing the SPPI test, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

(d) Reclassifications

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(e) Derecognition

A financial asset is derecognised when:

(i) The contractual right to receive cash flows from the asset has expired; or

(ii) The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:

(a) The Company has transferred substantially all the risks and rewards of the asset; or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company’s continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective profit rate, the Company records a modification gain or loss.

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2. Significant accounting policies (cont'd.)

2.10 Fair value measurement

The Company measures financial instruments such as financial assets at FVTPL, financial assets at FVOCI and non-financial assets such as self-occupied properties at fair value at each financial year. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

An annual valuation is performed to reflect the fair value of the Company’s self-occupied property and the investment properties of the family takaful fund. At the end of each financial year, accredited independent valuers having appropriate recognised professional qualification are appointed to perform the annual valuation. The valuation techniques used by the accredited independent valuers are verified to ensure that they are in accordance with the requirements of MFRS 13 *Fair Value Measurement* .

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year. The fair values hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is presented in Note 41(vi).

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective profit rate.

The ECL model applies to all financial assets held by the Company except for:

- Financial assets measured at FVTPL; and
- Equity instruments.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company will generally be required to apply the 'three-bucket' approach based on the change in credit quality since initial recognition:

	Stage 1	**Stage 2**	**Stage 3**
	Performing	Under-Performing	Non-Performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment to the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD — The ***Probability of Default*** is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD — The ***Exposure at Default*** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial year end, including repayments of principal and profit, whether scheduled by contract or otherwise, and accrued profit from missed payments.
- LGD — The ***Loss Given Default*** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as government debt, consumer sentiment index, residential property index, consumer price index, net foreign direct investment, Gross Domestic Product ("GDP"), inflation, currency rate, base lending rate and stock index.

(i) Debt instruments at AC and FVOCI

In accordance to the 'three-bucket' approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experience a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

The ECLs for debt instruments at AC and at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to the profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

(ii) Takaful certificate receivables

The impairment on takaful certificate receivables is measured using the simplified approach at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the takaful certificate receivables are grouped based on different sales channel and different retakaful contribution type's arrangement respectively. The impairment is to be calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are applied on the outstanding balance of the ageing bucket which forms the base of the roll rate. A forward-looking factor is to be included in the calculation of ECL.

Takaful certificate receivables are considered in default when contractual payments are past due more than 12 months.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(iii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets 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 groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of a cash-generating unit is allocated first to reduce the goodwill of the assets, then the carrying amount of the other assets in the unit (or groups of units) and finally, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to the profit or loss in the period in which the reversals are recognised.

(iv) Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

2. Significant accounting policies (cont'd.)

2.12 Measurement and impairment of Qard

Any deficits in the takaful funds are made good via a benevolent profit-free loan, or Qard, granted by the shareholder's fund to the takaful fund. The Qard is stated at cost less any impairment losses in the shareholder's fund. In the takaful fund, the Qard is stated at cost.

The Qard shall be repaid from future surpluses of the takaful fund.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the affected takaful funds to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment losses previously recognised, is recognised in profit or loss.

Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

2.13 Share capital and dividend expenses

An equity instrument is any contract that evidences residual interest in the assets of the Company after deducting all its liabilities.

Ordinary shares are recorded at all of the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.14 Cash and bank balances

Cash and bank balances include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions, which have an insignificant risk of changes in value. The statement of cash flows has been prepared using the indirect method.

2.15 Takaful certificate receivables

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

The Company recognises an allowance for ECL for takaful certificate receivables and recognises that impairment loss in profit or loss. The policy for the recognition and measurement of impairment losses for takaful certificate receivables is in accordance with Note 2.11(ii).

Takaful certificate receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.9(e), have been met.

2.16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. Leases arise when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. Significant accounting policies (cont'd.)

2.16 Leases (cont'd.)

(i) The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use ("ROU") assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Company recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. All ROU assets recognised by the Company have shorter lease terms than estimated useful life.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are presented as a separate line in the statement of financial position.

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed lease payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, it was discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate ("IBR"). After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. Significant accounting policies (cont'd.)

2.16 Leases (cont'd.)

(i) The Company as lessee (cont'd.)

(b) Lease liabilities (cont'd.)

The lease liability is presented as a separate line in the statement of financial position.

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low-value (such as laptops and personal computers, small items of office furniture and telephones). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Significant accounting policies (cont'd.)

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9 *Financial Instruments*, are recognised in the statement of financial position when, and only when, the Company and/or the takaful funds become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities as at FVTPL.

(b) Other financial liabilities

The Company's other financial liabilities include takaful certificate payables and other payables.

Takaful certificate payables and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

2. Significant accounting policies (cont'd.)

2.19 Income tax

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is computed using the tax rates that have been enacted at the end of the financial year.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of financial year. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income/participants' fund, in which case the deferred tax is also charged or credited directly in other comprehensive income/participants' fund.

2.20 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Company also makes additional contributions to the EPF for eligible employees by reference to their earnings. Such contributions are recognised as an expense in profit or loss as incurred.

2. Significant accounting policies (cont'd.)

2.21 Foreign currencies

(i) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items during the financial year are recognised in profit or loss.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2.22 Other revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled when the performance obligation is satisfied. The following specific recognition criteria must also be met before revenue is recognised.

(i) Profit and investment income

Profit and investment income on Shariah compliant investments are recognised on an accrual basis using the effective profit of the asset.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Management fees

Management fees are recognised when services are rendered.

2.23 Zakat

Zakat represents an obligatory amount payable by the Company to comply with the principles of Shariah. Zakat is computed using a method as recommended by the GSC and approved by the Board. Only the zakat that is attributable to the individual and corporate Muslim shareholders of the holding company was provided for in the financial statements. The zakat computation is reviewed by the GSC. The Board has the discretion to pay additional sum above the obligatory amount payable.

2.24 Balances with related companies

Balances with related companies are stated at the amounts which are due and expected to be settled.

2. Significant accounting policies (cont'd.)

2.25 Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following:

Amendments to MFRSs

At the beginning of the current financial year, the Company adopted the following Amendments which are mandatory for annual periods beginning on or after 1 January 2022.

Annual Improvements to MFRS Standards 2018−2020
- i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
- ii) MFRS 9 *Financial Instruments*
- iii) MFRS 16 *Leases*
- iv) MFRS 141 *Agriculture*

Amendments to MFRS 3 *Business Combinations (Reference to Conceptual Framework)*
Amendments to MFRS 116 *Property, Plant and Equipment*
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*

The adoption of the above pronouncements did not have any significant effect on the disclosures or amounts recognised in the Company's financial statements.

2.26 Standards issued but not yet effective

The Standards and Amendments to Standards that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new pronouncements, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 101 *Presentation of Financial Statements Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 101 *Presentation of Financial Statements Disclosure of Accounting Policies*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	1 January 2023
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112 *Income Taxes Deferred Tax related to Assets and Liabilities arising from Single Transaction*	1 January 2023

2. Significant accounting policies (cont'd.)

2.26 Standards issued but not yet effective (cont'd.)

The Standards and Amendments to Standards that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new pronouncements, if applicable, when they become effective: (cont'd.)

Amendments to MFRS 16 Leases *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 101 *Presentation of Financial Statements* *Non-Current Liabilities with Covenants*	1 January 2024
Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures*	To be announced by MASB

The application of the above new pronouncements are not expected to have a material impact on the financial statements in the period of initial application except for:

MFRS 17 Insurance Contracts and Amendments to MFRS 17

MFRS 17 Insurance Contracts replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Company will be applying MFRS 17 for the first time in the upcoming financial year ending 31 March 2024. Accordingly, it will restate comparative information for the financial year ended 31 March 2023, including the opening balance as at 1 April 2022, by applying the transitional provisions of MFRS 17.

(i) Changes to classification and measurement

The adoption of MFRS 17 will not change the classification of the Company's takaful and retakaful contracts.

MFRS 17 establishes specific principles for the recognition and measurement of takaful contracts issued and retakaful contracts held by the Company.

The Company has developed policies and approved technical positions that will address the following key principles of MFRS 17:

- Identify takaful and retakaful contracts as those under which the Company accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant;
- Separate specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from takaful and retakaful contracts and accounts for them in accordance with other applicable MFRS;
- Separate the takaful and retakaful contracts into groups it will recognise and measure;
- Recognise and measure groups of takaful and retakaful contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM");

2. Significant accounting policies (cont'd.)

2.26 Standards issued but not yet effective (cont'd.)

MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

- Recognise profit from a group of takaful and retakaful contracts over each period the Company provides coverage, as the Company is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, the Company will recognise the loss immediately; and

- Recognise an asset for takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of takaful and retakaful contracts is recognised. Such an asset is derecognised when the takaful acquisition cash flows are included in the measurement of the related groups of takaful and retakaful contracts.

During the implementation period of MFRS 17, the Company has determined that its takaful contracts issued and retakaful contracts held are eligible for the measurement models below:

- General Measurement Model ("GMM")
  This is the default measurement model for takaful and retakaful contracts valued using fulfilment cash flows (the present value of expected future cash flows, plus a risk adjustment) offset by the CSM which represents the unearned profit which the Company will recognise as it provides services under the contracts.

- Premium Allocation Approach ("PAA")
  This model will be applied for policies which have contract boundaries (i.e. coverage periods) of less than 1 year as well as for policies with contract boundaries of more than 1 year but which are able to pass the PAA eligibility test.

- Variable Fee Approach (“VFA”)
  This model will be applied for takaful contracts with direct participation features wherein payments on investment returns to participants are contractually linked to and substantially vary with the underlying items.

The Company will be applying the models above for the takaful contracts issued and retakaful contracts held.

(ii) Changes to presentation and disclosure

For presentation purposes, the Company will aggregate takaful and retakaful contracts held and these will be presented separately in the statement of financial position as follows:

- Portfolios of takaful and retakaful contracts issued that are assets;
- Portfolios of retakaful contracts held that are assets;
- Portfolios of takaful and retakaful contracts issued that are liabilities; and
- Portfolios of retakaful contracts held that are liabilities.

The portfolios of contracts are as established at initial recognition in accordance with the requirements of MFRS 17.

Groups of takaful contracts issued will include any assets for takaful acquisition cash flows.

2. Significant accounting policies (cont'd.)

2.26 Standards issued but not yet effective (cont'd.)

MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

(ii) Changes to presentation and disclosure (cont'd.)

The presentation of the statement of profit or loss and other comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned contributions or net claims incurred shown on the statement of profit or loss.

Instead, the statement of profit or loss will reflect the following items from the financial year ending 31 March 2024, together with a restated statement of profit or loss under MFRS 17 for the year ended 31 March 2023:

- Insurance/takaful revenue;
- Insurance/takaful service expenses;
- Finance/profit income or expenses; and
- Income or expenses from retakaful/reinsurance contracts held.

MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Company will provide both qualitative and quantitative disclosures about takaful contracts in three main areas:

- Explanation of the amounts recognised in the Company's financial statements arising from takaful contracts;
- Significant judgements, and changes in those judgements, when applying MFRS 17; and
- The nature and extent of risks that arise from contracts within the scope of MFRS 17.

(iii) Transition

On the transition date of 1 April 2022, the Company has:

- Identified, recognised and measured each group of takaful and retakaful contracts as if MFRS 17 had always applied (unless impracticable), using the full retrospective approach;
- Identified, recognised and measured assets for takaful acquisition cash flows as if MFRS 17 had always applied;
- Derecognised any existing balances that would not exist had MFRS 17 always applied; and
- Recognised any resulting net difference in equity.

The implementation of MFRS 17 allows the Company to adjust its profit or loss for eligible financial assets under MFRS 9 by removing any accounting volatility to other comprehensive income that may have arisen due to the adoption of MFRS 17, within the constraints of MFRS 9. The Company is currently in the midst of finalising its reclassification for eligible financial assets.

2. Significant accounting policies (cont'd.)

2.26 Standards issued but not yet effective (cont'd.)

MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

Where the Full Retrospective Approach ("FRA") has been determined to be impracticable to apply during the implementation period, due to constraints on data or other relevant inputs, the Company can choose between the Modified Retrospective Approach (“MRA”) or Fair Value Approach ("FVA").

Although the implementation progress has been encouraging as of the date of financial statements, quantitative impact arising from the adoption of MFRS 17 as at 1 April 2023 are still being reviewed and refined.

3. Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the financial year. However, uncertainty about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

The preparation of financial statements in conformity with MFRS requires management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The following judgements, which have the most significant effect on the amounts recognised in the financial statements are discussed below:

(i) Classification between investment property and self occupied property

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Valuation of self occupied and investment properties

The Company had carried out a valuation on the investment properties based on the comparison approach method conducted by an independent qualified valuer.

In the comparison approach method, the market value is based on the sales and listing of comparable properties registered within the vicinity. This valuation method requires the establishment of a comparable property by reducing reasonable comparative sales and listing to a common denominator. The details are explained in Notes 16 and 18.

3. Significant accounting estimates and judgements (cont'd.)

3.1 Critical judgements made in applying accounting policies (cont'd.)

The preparation of financial statements in conformity with MFRS requires management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The following judgements, which have the most significant effect on the amounts recognised in the financial statements are discussed below (cont'd.):

(iii) Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company included the renewal period as part of the lease term for leases of equipments and office buildings with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(iv) Property lease classification – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases based on the evaluation of the terms and conditions of the arrangements, such as the lease term does not constitute a major part of the economic life of the commercial property, and the present value of the lease payments does not amount to substantially all of the fair value of the commercial property.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Uncertainty in accounting estimates for family takaful certificate liabilities (Note 24)

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemic as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures.

All of this will give rise to estimation uncertainties in the projected ultimate liability of the family takaful fund. The sensitivity of the actuarial liabilities of the family takaful fund to changes in assumptions are detailed in Note 38(d).

(ii) Uncertainty in accounting estimates for shareholder's fund expense liabilities (Note 25)

The principal uncertainty in the shareholder's fund takaful certificate liabilities arises from the technical provisions which include the expense liabilities of the family takaful funds as explained in Note 2.5(iii).

(a) Expense liabilities of family takaful fund

An allowance is made to record certain future expected losses, if any, to the Company arising from servicing of individual certificates with participants.

For single contribution products, the allowance is estimated based on the actuarial present value of future maintenance expenses. For other products, provisions are estimated based on discounted future net cash flows of the Company using an actuarial method consistent with that used for non-unit reserving called the sterling reserves methodology.

The assumptions used are consistent with that used in the valuation of the family takaful certificate liabilities and the Company's expense assumptions are based on the Company's experience study with an appropriate allowance of PRAD.

4. Net earned contributions

2023	**Family takaful fund RM '000**	**Company RM '000**
Gross earned contribution	765,065	764,126
Earned contributions ceded to retakaful operators	(94,722)	(94,722)
Net earned contributions	670,343	669,404
2022		
Gross earned contribution	714,618	713,762
Earned contributions ceded to retakaful operators	(96,166)	(96,166)
Net earned contributions	618,452	617,596

5. Investment income

2023	**Shareholder's fund RM '000**	**Family takaful fund RM '000**	**Company RM '000**
Financial assets at FVTPL:			
Designated upon initial recognition:			
Profit income	-	119,736	119,736
Mandatorily measured:			
Profit income	11	-	11
Dividend income			
- Quoted shares in Malaysia	388	3,443	3,831
- Shariah approved unit trust funds	108	1,126	1,234
- Property trust funds	26	197	223
Financial assets at FVOCI:			
Profit income	9,633	-	9,633
Financial assets at amortised costs:			
Profit income	5,683	20,022	25,705
Rental income	-	3,414	-
Net amortisation of premiums	(325)	(1,733)	(2,058)
Investment expenses	(9)	(117)	(126)
	15,515	146,088	158,189

5. Investment income (cont'd.)

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Financial assets at FVTPL:			
Designated upon initial recognition:			
Profit income	-	114,421	114,421
Mandatorily measured:			
Profit income	58	-	58
Dividend income			
- Quoted shares in Malaysia	395	4,158	4,553
- Shariah approved unit trust funds	47	1,461	1,508
- Property trust funds	25	225	250
Financial assets at FVOCI:			
Profit income	9,629	-	9,629
Financial assets at amortised costs:			
Profit income	3,703	11,245	14,948
Rental income	-	3,827	-
Net amortisation of premiums	(166)	(1,868)	(2,034)
Investment expenses	(25)	(225)	(250)
	13,666	133,244	143,083

6. Realised gains/(losses)

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Financial assets at FVTPL:			
Designated upon initial recognition:			
Government investment issues	-	3,476	3,476
Unquoted Islamic private debt securities	-	1,365	1,365
Mandatorily measured:			
Quoted Shariah approved equities in Malaysia	(212)	1,033	821
Shariah approved unit trust funds	-	141	141
Property trust funds	598	-	598
Financial assets at FVOCI:			
Government investment issues	118	-	118
	504	6,015	6,519

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Financial assets at FVTPL:			
Designated upon initial recognition:			
Government investment issues	-	3,612	3,612
Unquoted Islamic private debt securities	-	820	820
Mandatorily measured:			
Quoted Shariah approved equities in Malaysia	605	(415)	190
Shariah approved unit trust funds	-	2,326	2,326
Property trust funds	145	(91)	54
Financial assets at FVOCI:			
Government investment issues	181	-	181
	931	6,252	7,183

7. Fair value (losses)/gains

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Investment properties	-	465	-
Financial assets at FVTPL	(41)	37,504	37,663
	(41)	37,969	37,663
2022			
Financial assets at FVTPL	(786)	(47,113)	(47,635)

8. Fee and commission income

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Wakalah fee income	230,807	-	-
Investment performance fee from family takaful fund	16,727	-	-
	247,534	-	-
2022			
Wakalah fee income	217,801	-	-
Investment performance fee from family takaful fund	16,916	-	-
	234,717	-	-

9. Fee and commission expenses

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Wakalah fee expenses	-	(230,807)	-
Investment performance fee	-	(16,727)	-
Commission paid to agents	(88,540)	-	(88,540)
	(88,540)	(247,534)	(88,540)
2022			
Wakalah fee expenses	-	(217,801)	-
Investment performance fee	-	(16,916)	-
Commission paid to agents	(93,965)	-	(93,965)
	(93,965)	(234,717)	(93,965)

10. Management expenses

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Staff costs:			
Salaries, bonus, and other related costs	38,910	-	38,910
President & CEO, Directors and Group Shariah Committee members' remuneration (Note 11)	1,680	-	1,680
Pension costs - Employees Provident Fund ("EPF")	5,318	-	5,318
Social security costs	289	-	289
Short-term accumulating compensated absences	267	-	267
Auditors' remuneration			
- audit fees	517	-	517
- regulatory related fees	22	-	22
- other services	30	-	30
- other assurance services	814	-	814
	47,847	-	47,847

10. Management expenses (cont'd.)

2023 (cont'd.)	**Shareholder's fund RM '000**	**Family takaful fund RM '000**	**Company RM '000**
Expense relating to short-term leases	8	-	8
Amortisation of intangible assets	10,146	-	10,146
Depreciation of property and equipment	368	-	2,531
Depreciation of right-of-use assets	2,939	-	276
Management fees paid to holding company	21,349	-	21,349
Management fees paid to related company	1,056	-	1,056
Professional and legal fees	2,524	-	2,524
Marketing and promotional costs	22,568	-	22,568
Electronic data processing costs	9,562	-	9,562
Agency expenses	7,981	-	7,981
Other expenses	18,175	3,640	20,876
	144,523	3,640	146,724

2022

Staff costs:			
Salaries, bonus, and other related costs	34,828	-	34,828
President & CEO, Directors and Group Shariah Committee members' remuneration (Note 11)	2,208	-	2,208
Pension costs - EPF	4,755	-	4,755
Social security costs	270	-	270
Short-term accumulating compensated absences	152	-	152
Auditors' remuneration			
- audit fees	464	-	464
- regulatory related fees	20	-	20
- other services	30	-	30
- other assurance services	379	-	379
Expense relating to short-term leases	8	-	8
Amortisation of intangible assets	8,798	-	8,798
Depreciation of property and equipment	746	-	2,841
Depreciation of right-of-use assets	2,944	-	718
Management fees paid to holding company	17,326	-	17,326
Management fees paid to related company	51	-	51
Professional and legal fees	2,697	-	2,697
Marketing and promotional costs	17,952	-	17,952
Electronic data processing costs	8,064	-	8,064
Agency expenses	12,346	-	12,346
Other expenses	16,544	3,415	19,103
	130,582	3,415	133,010

11. President & CEO, Directors' and Group Shariah Committee members' remuneration

Shareholder's fund/Company			**2023 RM '000**	**2022 RM '000**
(a)	**President & CEO:**			
	Salary and bonus		756	1,035
	Pension costs - EPF		129	176
	Benefits-in-kind		31	25
	Allowances and other emoluments		17	60
			933	1,296
	Total President & CEO's remuneration excluding benefits-in-kind	A	902	1,271
(b)	**Non-Executive Directors' remuneration:**			
	Fees		505	627
	Allowances and other emoluments		198	235
		B	703	862
(c)	**Shariah Committee members' remuneration:**			
	Fees		60	57
	Allowances and other emoluments		15	18
		C	75	75
	Total remuneration of President & CEO, Directors and Shariah Committee members excluding benefits-in-kind	A+B+C	1,680	2,208

	2023	2022
President & CEO and Executive Director:		
RM500,001 - RM1,500,000	1	1
RM100,001 - RM500,000	-	1
Non-executive Directors:		
RM150,001 - RM200,000	1	4
RM100,001 - RM150,000	3	1
RM50,001 - RM100,000	2	-
Below RM50,000	1	1

11. President & CEO, Directors and Group Shariah Committee members' remuneration (cont'd.)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
2023						
President & CEO:						
Muhammad Fikri Mohamad Rawi	756	-	129	31	17	933
Executive Director:						
Zaharudin Daud*	-	-	-	-	-	-
Non-executive Directors:						
Datuk Johar Che Mat	-	97	-	-	36	133
George Oommen	-	104	-	-	42	146
Woon Tai Hai	-	109	-	-	45	154
Noor Rida Hamzah	-	41	-	-	14	55
Shareen Ooi Bee Hong	-	99	-	-	40	139
Md Azmi Abu Bakar (Appointed with effect from 1 October 2022)	-	48	-	-	18	66
Azizul Mohd Said (Appointed with effect from 1 March 2023)	-	7	-	-	3	10
	-	505	-	-	198	703
Total Directors' remuneration	-	505	-	-	198	703

* The Executive Director, Zaharudin Daud is not entitled to receive Directors remuneration.

11. President & CEO, Directors and Group Shariah Committee members' remuneration (cont'd.)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
2023 (cont'd.)						
Group Shariah Committee members:						
Prof. Dr. Younes Soualhi (Appointed with effect from 3 November 2022)	-	5	-	-	1	6
Dr. Shamsiah Mohamad	-	11	-	-	3	14
Shahrir Sofian	-	11	-	-	3	14
Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Haji Abdullah	-	11	-	-	2	13
Dr. Khairul Anuar Ahmad (Appointed with effect from 1 July 2022)	-	8	-	-	2	10
Assoc. Prof. Dr. Said Bouheraoua (Resigned with effect from 2 November 2022)	-	7	-	-	2	9
Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'im Haji Mokhtar (Resigned with effect from 3 December 2022)	-	7	-	-	2	9
	-	60	-	-	15	75
Total remuneration of President & CEO, Directors and GSC members	756	565	129	31	230	1,711

11. President & CEO, Directors and Group Shariah Committee members' remuneration (cont'd.)

2022	**Salary and bonus RM'000**	**Fees RM'000**	**Pension costs RM'000**	**Benefits-in-kind RM'000**	**Others RM'000**	**Total RM'000**
President & CEO:						
Muhammad Fikri Mohamad Rawi (Appointed with effect from 14 January 2022)	163	-	28	-	1	192
Nor Azman Zainal (Resigned with effect from 29 December 2021)	872	-	148	25	59	1,104
	1,035	-	176	25	60	1,296
Executive Directors:						
Zaharudin Daud*	-	-	-	-	-	-
Non-executive Directors:						
Datuk Johar Che Mat	-	115	-	-	50	165
George Oommen	-	130	-	-	53	183
Woon Tai Hai	-	118	-	-	51	169
Noor Rida Hamzah	-	122	-	-	39	161
Shareen Ooi Bee Hong	-	109	-	-	35	144
Professor Dato' Dr. Ahmad Hidayat Buang (Resigned with effect from 2 August 2021)	-	33	-	-	7	40
	-	627	-	-	235	862
Total Directors' remuneration	-	627	-	-	235	862

* The Executive Director, Zaharudin Daud is not entitled to receive Directors remuneration.

Shariah Committee members:						
Assoc. Prof. Dr. Said Bouheraoua	-	12	-	-	4	16
Dr. Shamsiah Mohamad	-	11	-	-	4	15
Shahrir Sofian	-	10	-	-	3	13
Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Haji Abdullah	-	10	-	-	3	13
Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'im Haji Mokhtar	-	11	-	-	3	14
Prof. Dato' Dr. Ahmad Hidayat Buang (Resigned with effect from 13 July 2021)	-	3	-	-	1	4
	-	57	-	-	18	75
Total remuneration of President & CEO, Directors and GSC members	1,035	684	176	25	313	2,233

12. Other operating income

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Miscellaneous income	5,476	12,040	17,516
Management fee income	1,807	-	1,807
Rental income	-	-	583
Reversal of impairment losses on takaful certificate receivable (Note 22)	-	707	707
Allowance for impairment on sundry receivables	(1,600)	-	(1,600)
Allowance for impairment on financial assets at FVOCI	(1)	-	(1)
Gains on disposal of property and equipment	16	-	16
Gain on disposal of intangible assets	398	-	398
Write-off of intangible assets	(713)	-	(713)
	5,383	12,747	18,713
2022			
Miscellaneous income	5,969	10,321	16,290
Management fee income	3,834	-	3,834
Rental income	-	-	1,448
Reversal of impairment losses on takaful certificate receivable (Note 22)	-	2,517	2,517
Reversal of impairment on financial assets at FVOCI	38	-	38
Reversal of impairment on financial assets at amortised cost	12	45	57
Write-off of intangible assets	(105)	-	(105)
	9,748	12,883	24,079

13. Change in expense liabilities

	Shareholder's fund		Company	
	2023 RM '000	2022 RM '000	2023 RM '000	2022 RM '000
Family takaful fund				
Increase in unexpired expense reserve	9,149	6,742	9,149	6,742
	9,149	6,742	9,149	6,742

14. Tax borne by participants

Family takaful fund	**2023 RM '000**	**2022 RM '000**
Current income tax:		
Current year's provision	12,050	9,931
(Over)/under provision of tax expense in prior year	(23)	5
	12,027	9,936
Deferred income tax (Note 20):		
Deferred tax relating to origination and reversal of temporary differences	2,858	(3,816)
Tax expense for the year	14,885	6,120

Company	**2023 RM '000**	**2022 RM '000**
Current income tax:		
Current year's provision	12,050	9,931
(Over)/Under provision of tax expense in prior year	(23)	5
	12,027	9,936
Deferred income tax (Note 20):		
Deferred tax relating to origination and reversal of temporary differences	2,821	(3,816)
Tax expense for the year	14,848	6,120

Domestic income tax for family takaful fund is taxed at the preferential tax rate of 8% (2022: 8%) of taxable investment income for the year.

A reconciliation of income tax expenses applicable to surplus/(deficit) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

Family takaful fund	**2023 RM '000**	**2022 RM '000**
Surplus/(deficit) before taxation	21,698	(84)
Taxation at Malaysian statutory tax rate	1,736	(7)
Income not subject to tax	(54,471)	(51,329)
Expenses not deductible for tax purposes	68,068	58,067
Utilisation of capital allowances allocated from the shareholder's fund	(425)	(616)
(Over)/under provision of tax expense in prior year	(23)	5
Tax expense for the year	14,885	6,120

14. Tax borne by participants (cont'd.)

A reconciliation of income tax expenses applicable to surplus/(deficit) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows (cont'd.):

Company	2023 RM '000	2022 RM '000
Surplus/(deficit) before taxation	19,070	(2,179)
Taxation at Malaysian statutory tax rate	1,526	(174)
Income not subject to tax	(54,471)	(51,329)
Expenses not deductible for tax purposes	68,241	58,234
Utilisation of capital allowances allocated from Shareholder's fund	(425)	(616)
(Over)/under provision of tax expense in prior year	(23)	5
Tax expense for the year	14,848	6,120

15. Taxation

Shareholder's fund	2023 RM '000	2022 RM '000
Current income tax:		
Current year's provision	11,275	14,432
Over provision of tax expense in prior year	(2,697)	(2,735)
	8,578	11,697
Deferred income tax (Note 20):		
Deferred tax relating to origination and reversal of temporary differences	(3,051)	(15,659)
Tax expense/(credit) for the year	5,527	(3,962)

Company	2023 RM '000	2022 RM '000
Current income tax:		
Current year's provision	11,275	14,432
Over provision of tax expense in prior year	(2,697)	(2,735)
	8,578	11,697
Deferred income tax (Note 20):		
Deferred tax relating to origination and reversal of of temporary differences	(3,003)	(15,596)
Tax expense/(credit) for the year	5,575	(3,899)

Domestic income tax for Shareholder's fund and Company is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

15. Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

Shareholder's fund	**2023 RM '000**	**2022 RM '000**
Profit before taxation and after zakat	26,083	26,648
Taxation at Malaysian statutory tax rate	6,260	6,396
Income not subject to tax	(50)	(346)
Expenses not deductible for tax purposes	2,014	2,062
Effect of changes in tax law	-	(9,339)
Over provision of tax expense in prior year	(2,697)	(2,735)
Tax expense/(credit) for the year	5,527	(3,962)

Company	**2023 RM '000**	**2022 RM '000**
Profit before taxation and after zakat	26,390	26,886
Taxation at Malaysian statutory tax rate	6,334	6,453
Income not subject to tax	(50)	(1,463)
Expenses not deductible for tax purposes	1,988	3,185
Effect of changes in tax law	-	(9,339)
Over provision of tax expense in prior year	(2,697)	(2,735)
Tax expense/(credit) for the year	5,575	(3,899)

16. Property and equipment

Shareholder's fund

Cost	**Computer equipment RM '000**	**Furniture, fittings and office equipment RM '000**	**Motor vehicles RM '000**	**Total RM '000**
At 1 April 2021	2,229	22,661	543	25,433
Additions	1,450	274	-	1,724
At 31 March 2022	3,679	22,935	543	27,157
Additions	940	-	-	940
Disposals	-	-	(85)	(85)
At 31 March 2023	4,619	22,935	458	28,012
Accumulated depreciation				
At 1 April 2021	2,047	21,959	201	24,207
Charge for the year	460	213	73	746
At 31 March 2022	2,507	22,172	274	24,953
Charge for the year	196	99	73	368
Disposals	-	-	(85)	(85)
At 31 March 2023	2,703	22,271	262	25,236
Net book value				
At 31 March 2023	1,916	664	196	2,776
At 31 March 2022	1,172	763	269	2,204

16. Property and equipment (cont'd.)

Company

	Self occupied properties RM '000	Computer equipment RM '000	Furniture, fittings and office equipment RM '000	Motor vehicles RM '000	Total RM '000
Revaluation/cost					
At 1 April 2021	81,620	2,229	22,661	543	107,053
Additions	-	1,450	274	-	1,724
Revaluation surplus	2,095	-	-	-	2,095
Elimination of accumulated depreciation	(2,095)	-	-	-	(2,095)
At 31 March 2022	81,620	3,679	22,935	543	108,777
Additions	-	940	-	-	940
Revaluation surplus	2,628	-	-	-	2,628
Disposals	-	-	-	(85)	(85)
Elimination of accumulated depreciation	(2,163)	-	-	-	(2,163)
At 31 March 2023	82,085	4,619	22,935	458	110,097

16. Property and equipment (cont'd.)

Company (cont'd.)

	Self occupied properties RM '000	Computer equipment RM '000	Furniture, fittings and office equipment RM '000	Motor vehicles RM '000	Total RM '000
Accumulated depreciation					
At 1 April 2021	-	2,047	21,959	201	24,207
Charge for the year	2,095	460	213	73	2,841
Elimination of accumulated depreciation	(2,095)	-	-	-	(2,095)
At 31 March 2022	-	2,507	22,172	274	24,953
Charge for the year	2,163	196	99	73	2,531
Disposals	-	-	-	(85)	(85)
Elimination of accumulated depreciation	(2,163)	-	-	-	(2,163)
At 31 March 2023	-	2,703	22,271	262	25,236
Net book value					
At 31 March 2023	82,085	1,916	664	196	84,861
At 31 March 2022	81,620	1,172	763	269	83,824

16. Property and equipment (cont'd.)

Revaluation of self occupied properties

Self occupied properties have been revalued based on valuations performed by an accredited independent valuer. The valuations are based on the comparison approach method, as decribed below.

The fair value of self occupied properties is classified under Level 3 of the fair value hierarchy as disclosed under Note 2.10 and Note 41(vi). The fair value gains are recognised in other comprehensive income.

Description of valuation techniques used and significant unobservable input to valuation of self occupied properties are as set out below:

	Valuation technique	Significant unobservable input	Range per square feet
2023			
Self occupied properties	Comparison approach	Sales price per square feet for similar properties	RM769 to RM1,832
2022			
Self occupied properties	Comparison approach	Sales price per square feet for similar properties	RM692 to RM1,281

In the comparison approach, the market value is based on the sales and listing of comparable properties registered within the vicinity. The technique of the approach requires the establishment of a comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the differences between the subject property and those regarded as comparable. The comparison was premised on the factors of location, size, lease, restrictive covenants, age and condition of the building as well as the time element.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the self occupied properties.

16. Property and equipment (cont'd.)

Revaluation of self occupied properties (cont'd.)

If the self occupied properties were measured using the cost model, the carrying amounts would be as follows:

Company	**Self occupied properties**
Cost	**RM '000**
At 1 April 2021/ 31 March 2022/ 31 March 2023	59,498
Accumulated depreciation	
At 1 April 2021	13,115
Charge for the year	1,190
At 31 March 2022	14,305
Charge for the year	1,190
At 31 March 2023	15,495
Net carrying amount	
At 31 March 2023	44,003
At 31 March 2022	45,193

17. Leases

(a) Company as a lessee

The Company has lease contracts for various items of equipments and office building used in its operations, with lease terms within 3 years. The Company’s obligations under its leases are secured by the lessor’s title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Company also has leases of office building with lease term 12 months or less and leases of low-value. The Company applies 'short-term lease' and lease of 'low-value assets' recognition for these leases.

17. Leases (cont'd.)

(a) Company as a lessee (cont'd.)

(i) Right-of-use of assets ("ROU"):

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Shareholder's fund	**Data centre RM'000**	**Office buildings RM'000**	**Computers and office equipments RM'000**	**Total RM'000**
Cost				
At 1 April 2021	1,074	6,375	743	8,192
Additions during the year	553	6,647	-	7,200
Lease derecognised during the year	(1,074)	(6,375)	(743)	(8,192)
At 31 March 2022	553	6,647	-	7,200
Additions during the year	-	1,279	-	1,279
At 31 March 2023	553	7,926	-	8,479
Accumulated depreciation				
At 1 April 2021	832	4,746	524	6,102
Charge for the year	358	2,367	219	2,944
Lease derecognised during the year	(1,074)	(6,375)	(743)	(8,192)
At 31 March 2022	116	738	-	854
Charge for the year	276	2,663	-	2,939
At 31 March 2023	392	3,401	-	3,793
Net carrying amount				
At 31 March 2023	161	4,525	-	4,686
At 31 March 2022	437	5,909	-	6,346

Company	**Data centre RM'000**	**Office buildings RM'000**	**Computers and office equipments RM'000**	**Total RM'000**
Cost				
At 1 April 2021	1,074	426	743	2,243
Additions during the year	553	-	-	553
Lease derecognised during the year	(1,074)	-	(743)	(1,817)
At 31 March 2022	553	426	-	979
Lease derecognised during the year	-	(426)	-	(426)
At 31 March 2023	553	-	-	553

17. Leases (cont'd.)

(a) Company as a lessee (cont'd.)

(i) Right-of-use of assets ("ROU") (cont'd.):

Company **Accumulated depreciation**	**Data centre RM'000**	**Office buildings RM'000**	**Computers and office equipments RM'000**	**Total RM'000**
At 1 April 2021	832	285	523	1,640
Charge for the year	358	141	219	718
Lease derecognised during the year	(1,074)	-	(742)	(1,816)
At 31 March 2022	116	426	-	542
Charge for the year	276	-	-	276
Lease derecognised during the year	-	(426)	-	(426)
At 31 March 2023	392	-	-	392
Net carrying amount				
At 31 March 2023	161	-	-	161
At 31 March 2022	437	-	-	437

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Shareholder's fund RM '000	**Company RM '000**
At 1 April 2022	6,395	442
Additions	1,279	-
Finance costs	288	13
Payments	(3,120)	(290)
At 31 March 2023	4,842	165
At 1 April 2021	2,136	578
Additions	7,200	553
Finance costs	148	21
Payments	(3,089)	(710)
At 31 March 2022	6,395	442

17. Leases (cont'd.)

(a) Company as a lessee (cont'd.)

(ii) Lease liabilities (cont'd.)

The following table sets out a maturity analysis of lease liabilities, showing contractual discounted and undiscounted cash flows (future minimum lease payments):

As at 31 March 2023 Contractual discounted cash flow	Shareholder's fund RM '000	Company RM '000
Within 1 year	2,928	165
After 1 year but not more than 5 years	1,914	-
	4,842	165

Undiscounted cash flow	Shareholder's fund RM '000	Company RM '000
Within 1 year	3,090	168
After 1 year but not more than 5 years	1,948	-
	5,038	168

As at 31 March 2022 Contractual discounted cash flow	Shareholder's fund RM '000	Company RM '000
Within 1 year	2,422	275
After 1 year but not more than 5 years	3,973	167
	6,395	442

Undiscounted cash flow	Shareholder's fund RM '000	Company RM '000
Within 1 year	2,667	288
After 1 year but not more than 5 years	4,133	168
	6,800	456

17. Leases (cont'd.)

(a) Company as a lessee (cont'd.)

(iii) Amount recognised in the statement of comprehensive income

As at 31 March 2023	Shareholder's fund RM '000	Company RM '000
Depreciation expense of right-of-use assets	2,939	276
Finance costs	288	13
Expense relating to short-term leases (Note 10)	8	8
Total amount recognised in profit or loss	3,235	297

As at 31 March 2022	Shareholder's fund RM '000	Company RM '000
Depreciation expense of right-of-use assets	2,944	718
Finance costs	148	21
Expense relating to short-term leases (Note 10)	8	8
Total amount recognised in profit or loss	3,100	747

The shareholder's fund and Company have total cash outflow for leases of RM3,120,000 (2022: RM3,097,000) and RM288,000 (2022: RM717,000), respectively and non-cash additions to ROU and leases liabilities of RM1,279,000 for Shareholder's fund.

(iv) Extension option

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company’s business needs. Management has assessed that there are no extension options expected to be exercised as at the end of the financial year.

(b) Company as a lessor

The family takaful fund and the Company have entered into non-cancellable operating lease agreements on its portfolio of self-occupied property. The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the financial year but not recognised as receivables, are as follows:

Family takaful fund

	2023 RM '000	2022 RM '000
Within 1 year	2,524	2,776
After 1 year but not more than 5 years	1,586	4,110
	4,110	6,886

Company

	2023 RM '000	2022 RM '000
Within 1 year	145	397
After 1 year but not more than 5 years	-	145
	145	542

18. Investment properties

Family takaful fund	2023 RM '000	2022 RM '000
At fair value:		
At beginning of year/end of year	81,620	81,620
Fair value adjustments (Note 7)	465	-
At beginning of year/end of year	82,085	81,620

The rental income and operating expenses in relation to the investment properties are as disclosed below:

Family takaful fund	2023 RM '000	2022 RM '000
Rental income	3,414	3,827
Operating expenses	(341)	(383)
	3,073	3,444

These investment properties are stated at fair value as at 31 March 2023 in accordance with the accounting policy disclosed in Note 2.7.

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed under Notes 2.10 and Note 41(vi). The fair value gains are recognised in the statement of comprehensive income.

Description of valuation techniques used and significant unobservable input to valuation of investment property are disclosed in Note 16.

In the family takaful fund properties are classified as investment properties, while at the Company level, upon consolidation properties are classified as self-occupied properties to be consistent with the Group's policy.

19. Intangible assets

Shareholder's fund/Company

	Software development in progress RM '000	Computer software and licences RM '000	Preferred partnership fee RM '000	Total RM '000
Cost				
At 1 April 2021	21,870	38,965	29,900	90,735
Additions	6,745	2,627	-	9,372
Reclassifications	(11,978)	11,978	-	-
Disposal	-	-	(6,000)	(6,000)
Written off	-	(471)	-	(471)
At 31 March 2022	16,637	53,099	23,900	93,636
Additions	2,641	1,872	22,000	26,513
Reclassifications	(9,698)	9,698	-	-
Disposal	-	-	(23,900)	(23,900)
Written off	-	(1,658)	-	(1,658)
At 31 March 2023	9,580	63,011	22,000	94,591

19. Intangible assets (cont'd.)

Shareholder's fund/Company (cont'd.)

	Software development in progress RM '000	Computer software and licences RM '000	Preferred partnership fee RM '000	Total RM '000
Accumulated amortisation				
At 1 April 2021	-	28,475	9,334	37,809
Charge for the year	-	3,368	5,430	8,798
Disposal	-	-	(6,000)	(6,000)
Written off	-	(366)	-	(366)
At 31 March 2022	-	31,477	8,764	40,241
Charge for the year	-	3,963	6,183	10,146
Disposal	-	-	(12,747)	(12,747)
Written off	-	(945)	-	(945)
At 31 March 2023	-	34,495	2,200	36,695
Net carrying amount				
At 31 March 2023	9,580	28,516	19,800	57,896
At 31 March 2022	16,637	21,622	15,136	53,395

20. Deferred tax assets/(liabilities)

	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
2023			
At 1 April 2022	16,627	(2,628)	13,304
Recognised in:			
FVOCI reserves	(531)	-	(531)
Revaluation reserve	-	-	(210)
Statement of profit or loss (Notes 14 and 15)	3,051	(2,858)	182
At 31 March 2023	19,147	(5,486)	12,745
2022			
At 1 April 2021	65	(6,444)	(6,843)
Recognised in:			
FVOCI reserves	903	-	903
Revaluation reserve	-	-	(168)
Statement of profit or loss (Notes 14 and 15)	15,659	3,816	19,412
At 31 March 2022	16,627	(2,628)	13,304

20. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The net deferred tax assets/(liabilities) shown in the statement of financial position have been determined after appropriate offsetting as follows:

	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
2023			
Deferred tax assets	19,147	-	19,147
Deferred tax liabilities	-	(5,486)	(6,402)
	19,147	(5,486)	12,745

	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
2022			
Deferred tax assets	16,627	-	16,627
Deferred tax liabilities	-	(2,628)	(3,323)
	16,627	(2,628)	13,304

20. Deferred tax assets/(liabilities) (cont'd.)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

Shareholder's fund

	Expense liabilities RM '000	Accelerated capital allowances RM '000	Financial assets RM '000	Payables RM '000	Total RM '000
2023					
At 1 April 2022	10,956	-	627	5,044	16,627
Recognised in fair value reserves	-	-	(531)	-	(531)
Recognised in statement of profit or loss (Note 15)	2,196	(1,746)	(989)	3,590	3,051
At 31 March 2023	13,152	(1,746)	(893)	8,634	19,147

	Expense liabilities RM '000	Financial assets RM '000	Payables RM '000	Total RM '000
2022				
At 1 April 2021	-	(451)	516	65
Recognised in fair value reserves	-	903	-	903
Recognised in statement of profit or loss (Note 15)	10,956	175	4,528	15,659
At 31 March 2022	10,956	627	5,044	16,627

20. Deferred tax assets/(liabilities) (cont'd.)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows (cont'd.):

Family takaful fund

	Financial assets RM '000	Investment properties RM '000	Total RM '000
2023			
At 1 April 2022	(793)	(1,835)	(2,628)
Recognised in statement of profit or loss (Note 14)	(2,821)	(37)	(2,858)
At 31 March 2023	(3,614)	(1,872)	(5,486)
2022			
At 1 April 2021	(4,609)	(1,835)	(6,444)
Recognised in statement of profit or loss (Note 14)	3,816	-	3,816
At 31 March 2022	(793)	(1,835)	(2,628)

20. Deferred tax assets/(liabilities) (cont'd.)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows (cont'd.):

Company

	Expense liabilities RM '000	Accelerated capital allowances RM '000	Financial assets RM '000	Payables RM '000	Revaluation of buildings RM '000	Total RM '000
2023						
At 1 April 2022	10,956	-	(214)	6,031	(3,469)	13,304
Recognised in fair value reserves	-	-	(531)	-	-	(531)
Recognised in revaluation reserve	-	-	-	-	(210)	(210)
Recognised in statement of profit or loss	2,196	(1,746)	(3,858)	3,590	-	182
At 31 March 2023	13,152	(1,746)	(4,603)	9,621	(3,679)	12,745

	Expense liabilities RM '000	Financial assets RM '000	Payables RM '000	Revaluation of buildings RM '000	Total RM '000
2022					
At 1 April 2021	-	(5,045)	1,503	(3,301)	(6,843)
Recognised in fair value reserves	-	903	-	-	903
Recognised in revaluation reserve	-	-	-	(168)	(168)
Recognised in statement of profit or loss	10,956	3,928	4,528	-	19,412
At 31 March 2022	10,956	(214)	6,031	(3,469)	13,304

21. Financial and other assets

The following table summarises the fair values and carrying values of financial assets of the Company other than cash and bank balances and takaful certificate receivables:

	2023			2022		
	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Unquoted Islamic private debt securities	112,250	1,436,409	1,548,659	134,914	1,373,461	1,508,375
Government investment issues	95,811	1,413,859	1,509,670	115,299	1,166,339	1,281,638
Quoted shares in Malaysia:						
Shariah approved equities	7,666	78,380	86,046	9,574	82,071	91,645
Property trust funds	426	3,688	4,114	384	3,592	3,976
Shariah approved unit trust funds	5,155	254,833	259,988	5,047	232,779	237,826
Golf club memberships	118	-	118	118	-	118
Deposit placements with licensed:						
Islamic banks	219,880	530,053	749,933	105,730	555,041	660,771
Development banks	87,777	214,258	302,035	85,201	290,954	376,155
Units held in investment-linked fund	13,712	-	-	13,911	-	-
Secured staff financing:						
Receivable within 12 months	165	-	165	272	-	272
Receivable after 12 months	158	-	158	262	-	262
Due from:						
Family and Investment-linked fund*	2,472	-	-	30,935	-	-
Amount due from holding company*	-	-	-	4,213	-	4,213
Amount due from related companies*	351	149	500	1,108	-	1,108
Income due and accrued	3,296	33,565	36,861	3,735	30,300	34,035
Sundry receivables, prepayment and deposits	6,908	734	7,642	12,197	10,335	22,532
	556,145	3,965,928	4,505,889	522,900	3,744,872	4,222,926

* The amounts due from family takaful fund, investment-linked, holding and related companies are unsecured, not subject to any profit elements and are repayable on demand.

21. Financial and other assets (cont'd.)

The following table summarises the fair values and carrying values of financial assets of the Company other than cash and bank balances and takaful certificate receivables (cont'd.):

	2023			2022		
	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Financial assets at FVTPL (Note 21(a))	26,959	3,187,169	3,200,416	29,569	2,858,242	2,873,900
Financial assets at FVOCI (Note 21(b))	208,179	-	208,179	249,678	-	249,678
Amortised cost and other assets (Note 21(c))	321,007	778,759	1,097,294	243,653	886,630	1,099,348
	556,145	3,965,928	4,505,889	522,900	3,744,872	4,222,926

(a) Financial assets at FVTPL

At fair value:

	Shareholder's fund 2023 RM '000	Family takaful fund 2023 RM '000	Company 2023 RM '000	Shareholder's fund 2022 RM '000	Family takaful fund 2022 RM '000	Company 2022 RM '000
Designated upon initial recognition:						
Unquoted Islamic private debt securities	-	1,436,409	1,436,409	-	1,373,461	1,373,461
Government investment issues	-	1,413,859	1,413,859	-	1,166,339	1,166,339
Mandatorily measured:						
Unquoted Islamic private debt securities	-	-	-	653	-	653
Quoted shares in Malaysia:						
Shariah approved equities	7,666	78,380	86,046	9,574	82,071	91,645
Units held in investment-linked fund	13,712	-	-	13,911	-	-
Property trust funds	426	3,688	4,114	384	3,592	3,976
Shariah approved unit trust funds	5,155	254,833	259,988	5,047	232,779	237,826
	26,959	3,187,169	3,200,416	29,569	2,858,242	2,873,900

21. Financial and other assets (cont'd.)

The following table summarises the fair values and carrying values of financial assets of the Company other than cash and bank balances and takaful certificate receivables (cont'd.):

	2023			2022		
	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
(b) Financial assets at FVOCI						
At fair value:						
Unquoted Islamic private debt securities	112,250	-	112,250	134,261	-	134,261
Government investment issues	95,811	-	95,811	115,299	-	115,299
Golf club memberships	118	-	118	118	-	118
	208,179	-	208,179	249,678	-	249,678

21. Financial and other assets (cont'd.)

The following table summarises the fair values and carrying values of financial assets of the Company other than cash and bank balances and takaful certificate receivables (cont'd.):

(c) Amortised cost and other assets

	2023			2022		
	Shareholder's fund RM '000	**Family takaful fund RM '000**	**Company RM '000**	**Shareholder's fund RM '000**	**Family takaful fund RM '000**	**Company RM '000**
At amortised cost/fair value						
Mandatorily measured:						
Deposit placements with licensed:						
Islamic banks	219,880	530,053	749,933	105,730	555,041	660,771
Development banks	87,777	214,258	302,035	85,201	290,954	376,155
Secured staff financing:						
Receivable within 12 months	165	-	165	272	-	272
Receivable after 12 months	158	-	158	262	-	262
Due from:						
Family and Investment-linked fund*	2,472	-	-	30,935	-	-
Amount due from holding company*	-	-	-	4,213	-	4,213
Amount due from related companies*	351	149	500	1,108	-	1,108
Income due and accrued	3,296	33,565	36,861	3,735	30,300	34,035
Sundry receivables	6,458	734	7,192	12,025	10,335	22,360

* The amounts due from family takaful fund, investment-linked fund, holding and related companies are unsecured, not subject to any profit elements and are repayable on demand.

21. Financial and other assets (cont'd.)

The following table summarises the fair values and carrying values of financial assets of the Company other than cash and bank balances and takaful certificate receivables (cont'd.):

(c) Amortised cost and other assets (cont'd.)

	2023			2022		
	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Other assets:						
Prepayments	320	-	320	103	-	103
Advance	97	-	97	36	-	36
Other receivables	33	-	33	33	-	33
	321,007	778,759	1,097,294	243,653	886,630	1,099,348

All items above, other than other receivables and prepayments, are financial assets measured at amortised cost. The carrying amount disclosed above approximate fair values due to their relatively short-term nature.

(d) Average effective profit rates

The average effective profit rates for each class of profit-bearing investment and placements with licensed financial institutions, at net carrying amounts are as below:

	2023			2022		
	Shareholder's fund %	Family takaful fund %	Company %	Shareholder's fund %	Family takaful fund %	Company %
Islamic private debt securities	4.3	6.7	6.5	4.0	4.4	4.4
Secured staff financing	3.0	-	3.0	3.0	-	3.0
Deposit placements with financial institutions	2.6	2.6	2.6	1.8	1.8	1.8

22. Takaful certificate receivables

Family takaful fund/Company

	2023 RM '000	2022 RM '000
Due contributions including agents/brokers	45,141	42,201
Due from retakaful operators	3,468	1,445
	48,609	43,646
Allowance for impairment losses	(1,891)	(2,598)
	46,718	41,048

Amounts due from retakaful operators which have been offset against amounts due to retakaful operators are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
Family takaful fund/Company			
2023			
Due from retakaful operators	207,569	(204,101)	3,468
2022			
Due from retakaful operators	155,743	(154,298)	1,445

The carrying amounts disclosed above approximate fair value at the financial year due to the relatively short-term nature.

Included in takaful certificate receivables are amounts due from related parties as disclosed in Note 35. The amounts receivable are subject to settlement terms stipulated in the takaful and retakaful certificates.

The movement in the allowance for impairment losses in relation to takaful certificate receivables are as follows:

Family takaful fund/Company

	2023 RM '000	2022 RM '000
At 1 April	2,598	5,115
Decrease in allowance for impairment losses during the year (Note 12)	(707)	(2,517)
At 31 March	1,891	2,598

Details of impairment losses are shown in Note 39(a).

23. Tax recoverable

Included in the tax recoverable is the pending appeal case, the Inland Revenue Board of Malaysia ("IRB") had, on 28 December 2018, issued notices of additional assessments to the Company for the year of assessment ("YA") 2011 and 2013 for RM3,052,000 and RM2,147,000 respectively.

The Company disagreed with the additional assessment imposed by IRB for the above YA and had submitted a notice of appeal by filing Form Q with the Special Commisioner of Income Tax (“SCIT”) on 24 January 2019. The SCIT had fixed a preliminary hearing of the appeal by the Company on 24 April 2020. The management and the IRB are currently in the midst of finalising the case papers for the proposed hearing.

Notwithstanding the appeal and the proposed hearing before the SCIT, the Company had paid the total amount payable of RM5,199,000. The Company is also at liberty to pursue an amicable settlement of this matter.

The Company is of the view that there are strong justifications for its appeal and has treated the said payment as tax recoverable. As at the date of the financial statements, there have been no further developments on this matter.

24. Takaful certificate liabilities

	Family takaful fund			Company		
	Gross	Retakaful	Net	Gross	Retakaful	Net
2023	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Provision for claims reported by certificate holders	148,217	(28,702)	119,515	148,217	(28,702)	119,515
Participants' Individual Fund ("PIF")	3,090,251	-	3,090,251	3,090,251	-	3,090,251
Participants' Risk Fund ("PRF")	390,275	(92,333)	297,942	390,275	(92,333)	297,942
NAV attributable to unitholders	235,531	-	235,531	225,531	-	225,531
	3,864,274	(121,035)	3,743,239	3,854,274	(121,035)	3,733,239
2022						
Provision for claims reported by certificate holders	114,255	(22,294)	91,961	114,255	(22,294)	91,961
Participants' Individual Fund ("PIF")	2,893,271	-	2,893,271	2,893,271	-	2,893,271
Participants' Risk Fund ("PRF")	359,500	(75,508)	283,992	359,500	(75,508)	283,992
NAV attributable to unitholders	217,250	-	217,250	207,250	-	207,250
	3,584,276	(97,802)	3,486,474	3,574,276	(97,802)	3,476,474

24. Takaful certificate liabilities (cont'd.)

The movements of takaful certificate liabilities are presented as follows:

	Family takaful fund			Company		
	Gross	Retakaful	Net	Gross	Retakaful	Net
2023	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**
At 1 April 2022	3,584,276	(97,802)	3,486,474	3,574,276	(97,802)	3,476,474
Net earned contributions	714,703	(94,722)	619,981	713,764	(94,722)	619,042
Net creation of units	50,362	-	50,362	50,362	-	50,362
Liabilities paid for death, maturities, surrenders, benefits and claims	(424,321)	80,796	(343,525)	(424,321)	80,796	(343,525)
Net cancellation of units	(13,058)	-	(13,058)	(13,058)	-	(13,058)
Benefits and claims experience variation	33,962	(6,408)	27,554	33,962	(6,408)	27,554
Fees deducted	(230,807)	-	(230,807)	(230,807)	-	(230,807)
Other revenue and expenses	(19,023)	-	(19,023)	(18,084)	-	(18,084)
Transfer to shareholder's fund	(16,727)	-	(16,727)	(16,727)	-	(16,727)
Increase in reserve	184,907	(2,899)	182,008	184,907	(2,899)	182,008
At 31 March 2023	3,864,274	(121,035)	3,743,239	3,854,274	(121,035)	3,733,239

24. Takaful certificate liabilities (cont'd.)

The movements of takaful certificate liabilities are presented as follows (cont'd.):

	Family takaful fund			Company		
2022	**Gross RM '000**	**Retakaful RM '000**	**Net RM '000**	**Gross RM '000**	**Retakaful RM '000**	**Net RM '000**
At 1 April 2021	3,411,982	(84,471)	3,327,511	3,401,982	(84,471)	3,317,511
Net earned contributions	653,935	(96,166)	557,769	653,079	(96,166)	556,913
Net creation of units	60,683	-	60,683	60,683	-	60,683
Liabilities paid for death, maturities, surrenders, benefits and claims	(398,193)	71,486	(326,707)	(398,193)	71,486	(326,707)
Net cancellation of units	(18,703)	-	(18,703)	(18,703)	-	(18,703)
Benefits and claims experience variation	31,939	(8,664)	23,275	31,939	(8,664)	23,275
Fees deducted	(217,801)	-	(217,801)	(217,801)	-	(217,801)
Other revenue and expenses	(19,011)	-	(19,011)	(18,155)	-	(18,155)
Transfer to shareholder's fund	(16,916)	-	(16,916)	(16,916)	-	(16,916)
Increase in reserve	96,361	20,013	116,374	96,361	20,013	116,374
At 31 March 2022	3,584,276	(97,802)	3,486,474	3,574,276	(97,802)	3,476,474

25. Expense liabilities

Shareholder's fund/Company	**2023 RM '000**	**2022 RM '000**
Unexpired expense reserve ("UER")	54,799	45,650

The movement of expense liabilities is presented as follows:

Shareholder's fund/Company	**2023 RM '000**	**2022 RM '000**
At 1 April	45,650	38,908
Movement in provision for UER	9,149	6,742
At 31 March	54,799	45,650

26. Takaful certificate payables

Family takaful fund/Company	**2023 RM '000**	**2022 RM '000**
Due to retakaful operators	31,355	34,193

Amounts due to retakaful operators which have been offset against amounts due from retakaful operators are as follows:

Family takaful fund/Company	**Gross carrying amount RM'000**	**Gross amounts offset in the statement of financial position RM'000**	**Net amounts in the statement of financial position RM'000**
2023			
Due to retakaful operators	235,456	(204,101)	31,355
2022			
Due to retakaful operators	188,491	(154,298)	34,193

27. Other payables

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Provisions	31,595	-	31,595
Deposit contributions	-	39,214	39,214
Amount due to shareholder's fund [(i)]	-	2,472	-
Amount due to holding company[(i)]	4,783	-	4,783
Amount due to fellow subsidiaries [(i)]	2,513	-	2,513
Agency provident fund [(ii)]	4,469	-	4,469
Other accruals and payables	16,119	81,420	97,539
	59,479	123,106	180,113

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Provisions	29,240	-	29,240
Deposit contributions	-	50,110	50,110
Amount due to shareholder's fund [(i)]	-	30,935	-
Amount due to fellow subsidiaries [(i)]	13	2,498	2,511
Agency provident fund [(ii)]	4,277	-	4,277
Other accruals and payables	10,005	77,814	87,819
	43,535	161,357	173,957

(i) The amounts due to the shareholder's fund and the holding company/fellow subsidiaries are unsecured, not subject to any profit elements and are repayable on demand.

(ii) These represent fringe benefits to agents upon the achievement of certain persistency and production targets.

28. Share capital

Shareholder's fund/Company

	Number of ordinary shares		Amount	
	2023	2022	2023	2022
	'000	'000	RM '000	RM '000
Issued and fully paid:				
At beginning/end of the year	405,000	405,000	405,000	405,000

29. Reserves

Shareholder's fund	2023 RM '000	2022 RM '000
Distributable retained profits	124,037	108,481
Non-distributable fair value reserves	245	(1,437)
	124,282	107,044

Company	2023 RM '000	2022 RM '000
Distributable retained profits	124,542	108,727
Non-distributable fair value reserves	(2,929)	(4,611)
	121,613	104,116

The entire distributable retained profits as at 31 March 2023 can be distributed as dividends under the single tier system.

30. Participants' fund - Family takaful fund

	Family takaful fund RM '000	Company RM '000
2023		
Unallocated surplus		
At 1 April 2022	193,445	153,923
Surplus attributable to participants	6,813	4,222
At 31 March 2023	200,258	158,145

30. Participants' fund - Family takaful fund (cont'd.)

2023 (cont'd.)	Family takaful fund RM '000	Company RM '000
Revaluation reserve		
At 1 April 2022	-	37,888
Net gains on fair value changes	-	2,628
Deferred tax on fair value changes	-	(210)
At 31 March 2023	-	40,306
Family takaful fund at end of the year		
Unallocated surplus	200,258	158,145
Revaluation reserve	-	40,306
	200,258	198,451

2022	Family takaful fund RM '000	Company RM '000
Unallocated surplus		
At 1 April 2021	199,649	162,222
Deficit attributable to participants	(6,204)	(8,299)
At 31 March 2022	193,445	153,923
Revaluation reserve		
At 1 April 2021	-	35,961
Net gains on fair value changes	-	2,095
Deferred tax on fair value changes	-	(168)
At 31 March 2022	-	37,888
Family takaful fund at end of the year		
Unallocated surplus	193,445	153,923
Revaluation reserve	-	37,888
	193,445	191,811

31. Earnings per share

The basic and diluted earnings per share ("EPS") is calculated based on the net profit for the financial year divided by the number of ordinary shares in issue during the year as follows:

	2023	2022
Profit attributable to ordinary shareholder (RM '000)	20,815	30,785
Number of ordinary shares in issue ('000)	405,000	405,000
Basic and diluted earnings per share (sen)	5.1	7.6

32. Cash flows by funds

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Net cash flows generated from/(used in)			
Operating activities	23,907	(1,958)	18,115
Investing activities	(17,165)	-	(15,886)
Financing activities	(7,832)	-	(5,277)
	(1,090)	(1,958)	(3,048)
Net decrease in cash and bank balances	(1,090)	(1,958)	(3,048)
At 1 April 2022	2,049	10,981	13,030
At 31 March 2023	959	9,023	9,982
2022			
Net cash flows generated from/(used in):			
Operating activities	18,925	(26,431)	(9,758)
Investing activities	(11,096)	-	(11,096)
Financing activities	(7,941)	-	(5,689)
	(112)	(26,431)	(26,543)
Net decrease in cash and bank balances	(112)	(26,431)	(26,543)
At 1 April 2021	2,161	37,412	39,573
At 31 March 2022	2,049	10,981	13,030

33. Capital commitments and contingencies

Capital commitments

	2023 RM '000	2022 RM '000
Shareholder's fund and Company		
Authorised and contracted for:		
Intangible assets	3,006	4,351
Authorised but not contracted for:		
Intangible assets	2,819	3,225
Payable within 12 months	3,006	4,351
Payable after 12 months	2,819	3,225
	5,825	7,576

Contingencies

The Company has provided the following guarantees at 31 March 2023:

- Bank guarantees on the services contracts with external parties of RM43,099 in the form of cash deposit in marginal accounts.

34. Regulatory capital requirement

The capital structure of the Company, as prescribed under the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") is provided below:

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Total RM'000
Eligible Tier-1 capital			
Share capital	405,000	-	405,000
Reserves, including retained earnings	124,037	200,258	324,295
Tier-2 capital			
Fair value reserves	245	-	245
Amount deducted from capital	(77,044)	-	(77,044)
Total capital available	452,238	200,258	652,496

34. Regulatory capital requirement (cont'd.)

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Total RM'000
Eligible Tier-1 capital			
Share capital	405,000	-	405,000
Reserves, including retained earnings	108,481	193,445	301,926
Tier-2 capital			
Fair value reserves	(1,437)	-	(1,437)
Amount deducted from capital	(70,022)	-	(70,022)
Total capital available	442,022	193,445	635,467

35. Related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or to exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) Related party transactions

The significant related party transactions during the period are as follows:

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Income/(expenses) and dividend:			
Transactions with MNRB:			
Gross contribution received	-	392	392
Dividend paid	(5,000)	-	(5,000)
Rental paid	(8)	-	(8)
Rental income from property	-	142	142
Management expenses chargeback	(1,432)	-	(1,432)
Management fees paid	(21,349)	-	(21,349)

35. Related party disclosures (cont'd.)

(a) Related party transactions (cont'd.)

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Income/(expenses) and dividend (cont'd.):			
Transactions with Takaful Ikhlas General Berhad ("Takaful IKHLAS General"), a fellow subsidiary:			
Rental income from property	-	441	441
Gross contribution received	-	353	353
Management fees received	1,588	-	1,588
Management fees paid	(1,056)		(1,056)
Management expenses chargeback	5,792	-	5,792
Gross contribution paid for takaful cover	(28)	-	(28)
Transactions with Malaysian Reinsurance Berhad ("Malaysian Re"), a fellow subsidiary:			
Gross contribution received	-	270	270
Management fees received	219	-	219
Management expenses chargeback	(140)	-	(140)
Transactions with MMIP Services Sdn. Bhd. ("MSSB"), a fellow subsidiary:			
Gross contribution received	-	23	23

35. Related party disclosures (cont'd.)

(a) Related party transactions (cont'd.)

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Income/(expenses) and dividend:			
Transactions with MNRB:			
Gross contribution received	-	329	329
Dividend paid	(5,000)	-	(5,000)
Rental paid	(8)	-	(8)
Management expenses chargeback	(2,553)	-	(2,553)
Management fees paid	(17,326)	-	(17,326)
Transactions with Takaful IKHLAS General, a fellow subsidiary:			
Rental income from property	-	1,448	1,448
Gross contribution received	-	310	310
Management fees received	3,339	-	3,339
Management expenses chargeback	5,203	-	5,203
Gross contribution paid for takaful cover	(106)	-	(106)
Transactions with Malaysian Re, a fellow subsidiary:			
Gross contribution received	-	274	274
Rental paid	(142)	-	(142)
Management fees received	495	-	495
Management fees paid	(51)	-	(51)
Management expenses chargeback	(103)	-	(103)
Transactions with MSSB, a fellow subsidiary:			
Gross contribution received	-	23	23

35. Related party disclosures (cont'd.)

(b) Related party balances

Included in the statement of financial position are amounts due from/(to) related parties represented by the following:

2023	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Amount due from (Note 21):			
Takaful Ikhlas General Berhad	351	149	500
Takaful certificate receivables:			
Malaysian Reinsurance Berhad	-	1	1
Sinar Seroja Berhad	-	10	10
	-	11	11
Takaful certificate payables:			
Takaful Ikhlas General Berhad	-	(23)	(23)
MMIP Services Sdn. Bhd.	-	(1)	(1)
	-	(24)	(24)
Other payables (Note 27):			
MNRB Holdings Berhad	(4,783)	-	(4,783)
Malaysian Reinsurance Berhad	(2,513)	-	(2,513)
	(7,296)	-	(7,296)

35. Related party disclosures (cont'd.)

(b) Related party balances (cont'd.)

Included in the statement of financial position are amounts due from/(to) related parties represented by the following (cont'd.):

2022	Shareholder's fund RM '000	Family takaful fund RM '000	Company RM '000
Amount due from (Note 21):			
Takaful Ikhlas General Berhad	1,108	-	1,108
MNRB Holdings Berhad	4,213	-	4,213
	5,321	-	5,321
Takaful certificate receivables:			
MNRB Holdings Berhad	-	2	2
Takaful Ikhlas General Berhad	-	5	5
Sinar Seroja Berhad	-	10	10
	-	17	17
Takaful certificate payables:			
MMIP Services Sdn. Bhd.	-	(7)	(7)
Malaysian Reinsurance Berhad	-	(2)	(2)
	-	(9)	(9)
Other payables (Note 27):			
Malaysian Reinsurance Berhad	(13)	-	(13)
Takaful Ikhlas General Berhad	-	(2,498)	(2,498)
	(13)	(2,498)	(2,511)

The Directors are of the opinion that all the transactions above 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.

35. Related party disclosures (cont'd.)

(c) Directors and other members of key management

The remuneration of Directors and other members of key management during the year are as follows:

	2023 RM '000	2022 RM '000
President & CEO and Executive Director's remuneration (Note 11(a)):		
Allowances and other emoluments	17	60
Salaries and bonus	756	1,035
Pension costs - EPF	129	176
Benefits-in-kind	31	25
	933	1,296
Non-executive Directors' remuneration (Note 11(b)):		
Fees	505	627
Allowances and other emoluments	198	235
	703	862
Shariah Committee members' remuneration (Note 11(c)):		
Fees	60	57
Allowances and other emoluments	15	18
	75	75
Other key management personnels' remuneration:		
Salaries and bonus	3,602	3,565
Pension costs - EPF	592	587
Benefits-in-kind	533	380
Total	4,727	4,532

36. Dividends

The amount of dividends paid by the Company since the end of the previous financial years was as follows:

	RM '000
In respect of financial year ended 31 March 2022:	
Final single tier dividend of 1.23% on 405,000,000 ordinary shares, declared on 21 September 2022 and paid on 5 October 2022.	5,000
In respect of financial year ended 31 March 2021:	
Final single tier dividend of 1.23% on 405,000,000 ordinary shares, declared on 22 September 2021 and paid on 4 October 2021.	5,000

37. Risk management framework

The Company adopts MNRB's Group Risk Management Framework and Policy ("RM Framework") which was established to provide a set of guidelines for implementing risk management throughout the Group. It encompasses the Company's risk management:

(i) Strategy, by having appropriate risk management objectives, policy and appetite;

(ii) Architecture, by setting up risk management roles and responsibilities, communication and reporting structure; and

(iii) Protocols, by describing the procedures, methodologies, tools and techniques for risk management.

Risk management is the process of identifying, assessing, measuring, controlling, mitigating, and continuous monitoring risks in respect of the Company as a whole. It involves regular self-assessments of all reasonably foreseeable and material risks that the Company faces, including their inter-relationships and the maintenance of a link between ongoing risk management and mid to long term business goals, strategies and capital needs.

The RM Framework aims to serve as a guide for the effective management of risks throughout the Company. The Framework is intended to provide guidance to the Company in performing its risk management roles and responsibilities and ultimately aims to support the achievement of the Company's strategic and financial objectives.

37. Risk management framework (cont'd.)

The primary objectives of the RM Framework are as follows:

(i) Embeds the Risk Management process and ensures it is an integral part of the Company's planning process at a strategic and operational level;

(ii) Facilitates effective risk oversight through a clear internal risk governance structure and responsibilities;

(iii) Create a risk awareness culture from a strategic, operational, and individual perspective;

(iv) Give credibility to the process and engage management's attention to the treatment, monitoring, reporting and review of identified risks as well as considering new and emerging risks on a continuous basis;

(v) Allow the Company to proactively manage its risks in a systematic and structured way and to continually refine its processes to reduce its risk profile, thereby maintaining a safer environment for its stakeholders;

(vi) Aligns the Company's risk management practices with its sustainability principles;

(vii) Provides a single point of reference for managing risks in a systematic and structured way; and

(viii) Standardises risk terminologies across the Company to facilitate a consistent and uniform approach in managing risks.

In pursuit of the above objectives, it is the Company's policy to adhere to, and comply with, all relevant governance and regulatory requirements and implement best practices with regards to risk management principles. The Company also aims to uphold high standards of business practices in all its activities.

37. Risk management framework (cont'd.)

(a) Risk management governance

The Risk Management Governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the Risk Management Committee of the Board ("RMCB") to support the Board in meeting the expectations and responsibilities on the risk and compliance management, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management culture;

(ii) The Audit Committee was established to complement the role of the Board by providing independent assessments of the adequacy and effectiveness of governance, risk management and internal control. The Audit Committee is assisted by an independent Internal Audit Department in performing its role;

(iii) The Group Shariah Committee ("GSC") was established to provide objective and sound advice to the Group to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah;

(iv) The Senior Management Committee ("SMC") will oversee the implementation of risk and compliance management processes, establish and implement appropriate organisational structures and systems for managing financial and non-financial risks;

(v) The Group Management Risk & Compliance Committee ("GMRCC"), which comprises the President & Group Chief Executive Officer, the President & Chief Executive Officers and selected members of Senior Management from MNRB and its main operating subsidiaries to support the SMC to implement the risk and compliance management processes, establish clear guidance in managing the Company's risk to ensure its alignment to the Company's risk appetite for all business strategies and activities;

(vi) The Group Chief Risk Officer ("GCRO") and Risk Management Department ("RMD") establish the infrastructure and provide oversight on risk management process in the Company through the adoption of the RM Framework; and

37. Risk management framework (cont'd.)

(a) Risk management governance (cont'd.)

The Risk management governance structure is as follows (cont'd.):

(vii) At the operational level, the implementation of risk management processes in the day-to-day operations of the Company is facilitated by the Heads of Department as well as the embedded risk managers of each department, guided by various components of RM Framework.

The Board had also established a dedicated Group Investment Committee to further oversee risks associated with investments and assets allocation strategies. Further, the Company had established an Investment Policy to ensure proper risk management associated with investments and asset allocation. These are managed by investing in low-risk assets, deposits with licensed Islamic financial institutions, Islamic debt securities and other marketable securities.

(b) Capital management

The Internal Capital Adequacy Assessment Process (“ICAAP”) encompasses the overall process where the Company ensures adequate capital is available to meet its capital requirements on an ongoing basis, under normal and stressed conditions, in line with BNM's Policy Document on Internal Capital Adequacy Assessment Process for Takaful Operators, the RBCT Framework and the Policy Document on Stress Testing.

The ICAAP Policy also requires the Company to set an Individual Target Capital Level ("ITCL") based on its business strategies, risk profiles and risk management practices. The Company’s prevailing ITCL is above the minimum regulatory capital requirement outlined under the RBCT Framework.

Based on the material risks identified, the Company assesses the overall capital adequacy, and develops the Capital Management Plan (“CMP”), where the main objective is to monitor and maintain, at all times, an appropriate level of capital which commensurate with the Company's business operations and the resultant risk profile.

The CMP outlines the criteria, mechanism and process flow to manage the level of Capital Adequacy Ratio (“CAR”) of the Company. This includes the thresholds, triggers, and action plans in place which could be undertaken to reduce the level of risks or strengthen capital available. The action plans shall be triggered upon the CAR reaching the respective thresholds. These actions are chosen with consideration to the possible adverse scenarios relative to normal operating conditions.

37. Risk management framework (cont'd.)

(c) Regulatory framework

The Company is required to comply with the Islamic Financial Services Act (“IFSA”) 2013, the Companies Act 2016, any other relevant Acts, and as applicable, Policy Documents issued by BNM from time to time.

In line with the RBCT Framework requirements on capital adequacy, the Company actively manages its capital by taking into account the potential impact of business exposure on the Company's business strategies, risk profile and overall resilience of the Company. BNM’s Guidelines on Takaful Operational Framework ("TOF") 2019, specifies the parameters to govern the operational processes of takaful operators and defines in detail, where necessary, the various rules and requirements for takaful operators without limiting or specifying particular contracts to apply to the takaful operations. As required by TOF, the Company’s respective components of the operational model were endorsed by the GSC and approved by the Board.

The Company is also a member of Perbadanan Insuran Deposit Malaysia ("PIDM"), which was established under the PIDM Act 2011 which administers the protection system for takaful and insurance benefits in the event of failure of a member institution.

37. Risk management framework (cont'd.)

(d) Asset-liability management ("ALM") Framework

The main risk that the Company faces due to the nature of its investments and liabilities is the mismatch of assets to liabilities (investment risks). The Company manages these positions within the ALM framework to achieve long-term investment returns in excess of its obligations under the takaful certificates. The principal technique identified is to match assets to the liabilities arising from takaful certificates by reference to the type of benefits payable to participants. Amongst the mechanism to manage the ALM framework is the assessment and monitoring of the investment portfolio duration as well as the liability duration for specific risks. An Asset-Liability Committee ("ALCO") has been established to manage and monitor asset-liability mismatch risks. The ALCO ultimately reports to the Board through the Group Investment Committee.

38. Takaful risk

Family takaful fund

(a) Nature of risk

The Company principally writes the following types of family takaful certificates: Ordinary Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans. The takaful contributions are segregated into 2 separate funds: Participants' Risk Fund ("PRF") and Participants' Individual Fund ("PIF").

The PRF is compulsory for all certificates and refers to the fund used to pool the portion of contributions paid by participants on the basis of tabarru' (donation) for the purpose of meeting claims on events/risks covered under the takaful certificates. Under the tabarru' contract, the fund is collectively owned by the pool of participants. In managing the PRF, the Company adopts an appropriate set of policies and procedures to ensure the availability of funds to meet takaful benefits when due.

The PIF refers to the fund in which a portion of the contributions paid by takaful participants for a takaful certificate is allocated for the purpose of savings (PIF Savings) or investment (PIF Investment). The PIF is individually owned by the participants. In managing the PIF, the Company adopts the appropriate investment and management strategies to achieve returns that are in line with the participants' reasonable expectations and where relevant, to ensure the availability of funds for future tabarru' apportionment into the PRF. The investment risk exposure for the PIF Investment is borne by the participants. For investment-linked takaful, the PIF refers to the unit fund(s).

Family takaful risk exists from the anti-selection process and inadequacy of PRF to meet future claims arising from family takaful certificates. The risk arises when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Other sources of risk include certificate lapses and certificate claims such as mortality and morbidity experience if they were to differ significantly from assumptions.

38. Takaful risk (cont'd.)

Family takaful fund (cont'd.)

(a) Nature of risk (cont'd.)

The Company utilises retakaful arrangements to manage the mortality and morbidity risks. Retakaful structures are set based on the risk appetite of the Company. Due to the nature of the business, the retakaful arrangements are reviewed as and when required, especially with the introduction of new products.

The Company reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits are put in place to manage these risks.

The PIF is supported by the investment profit from the fund and the distribution surplus from PRF, if any. In the event of volatile investment climate and/or unusual claims experience, the investment profit and surplus distribution to the participants may reduce.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency and financial viability of the family takaful fund under various scenarios as guided by regulatory guidelines. The Stress testing is designed to simulate drastic changes in major parameters such as new business volume, claims experience, expenses, investment return and mortality/morbidity patterns.

The table below discloses the contribution of the PIF and PRF liabilities (as disclosed in Note 24) by type of certificates:

	Gross RM '000	Retakaful RM '000	Net RM '000
2023			
Family takaful plans	1,451,334	(1,739)	1,449,595
Investment-linked takaful plans	38,909	(2,582)	36,327
Mortgage takaful plans	1,541,005	(12,679)	1,528,326
Group credit takaful plans	279,600	(30,308)	249,292
Others	169,678	(45,025)	124,653
	3,480,526	(92,333)	3,388,193
2022			
Family takaful plans	1,376,289	(405)	1,375,884
Investment-linked takaful plans	39,045	(832)	38,213
Mortgage takaful plans	1,418,941	(345)	1,418,596
Group credit takaful plans	256,640	(33,586)	223,054
Others	161,856	(40,340)	121,516
	3,252,771	(75,508)	3,177,263

(b) Catastrophe Risk

The risk that a single or a series of catastrophe events, usually over a short period, which leads to a high number of claims or single large loss or combination of both.

38. Takaful risk (cont'd.)

Family takaful fund (cont'd.)

(c) Contribution risk

Contribution risk arises when contributions charged are insufficient to meet expected claims and expenses. This risk is mitigated by adhering to the pricing policy and ceding the risk above the Company's risk appetite to retakaful operators with strong financial standing.

(d) Impact on liabilities, profit and equity

Key assumptions

The Company is being guided by the regulations and relevant guidelines in determining the liabilities of the family takaful fund and in the selection of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The assumptions that have significant effects on the financial position and financial performance of the family takaful fund are described below:

Type of business	Mortality and morbidity	2023 Discount rates	2022 Discount rates
Credit related products and individual regular contribution plans	Base mortality (i), adjusted for retakaful rates and actual experience (ii)	GII discount rate	GII discount rate
Others	Base mortality (i)	N/A*	N/A*

(i) These rates are obtained from the various industry mortality and morbidity experience tables that are used to determine the contribution rates; and

(ii) Retakaful rates are derived from the fund's retakaful arrangements with respect to the credit related products and individual regular contribution plans.

* No discounting rates used for short-term product.

38. Takaful risk (cont'd.)

Family takaful fund (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Key assumptions (cont'd.)

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

(i) Mortality and morbidity rates

Assumptions are based on mortality rates as set out in the product documentation submitted to BNM. They reflect the historical experience and are adjusted, when appropriate, to reflect the participants' expected experience. Assumptions are differentiated by gender, occupational class and product group.

An increase in mortality/morbidity will lead to a claims cost (as claims could be larger, or occur sooner than anticipated).

To the extent that the actual mortality/morbidity incidence rate is worse than that priced for, the expected surplus arising in the PRF would be lower, leading to lower surplus administration charge income. If the poor experience persists, the PRF may go into deficit, requiring the shareholder's fund to provide Qard. This is mitigated with adequate retakaful arrangements as well as contract design (in some circumstances) that builds in repricing mechanisms.

(ii) Discount rates

Family takaful liabilities of credit-related products, for example, Mortgage Reducing Term Takaful ("MRTT") and Group Credit Takaful ("GCT"), are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected tabarru' (risk charge) that would be required to meet these future cash outflows. The valuation of liabilities will be discounted to valuation date using the Government Investment Issues zero coupon spot yields which are obtained from Bond Pricing Agency Malaysia as prescribed in the valuation guidelines.

A decrease in the discount rate will increase the value of family takaful liabilities and consequently, reduces the surplus distribution to participants and shareholder.

38. Takaful risk (cont'd.)

Family takaful fund (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus before tax and the resulting participants' fund. The correlations of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in specific assumptions, the sensitivity analysis are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Family takaful fund

	Change in assumptions %	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on surplus before tax RM '000	Impact on participants' fund* RM '000
2023		----Increase/(decrease)----		----(Decrease)/increase----	
Mortality/morbidity	+ 10%	171,325	104,721	(104,721)	(104,721)
Discount rates	+ 1%	(23,852)	(25,724)	25,724	25,724
Mortality/morbidity	- 10%	(115,913)	(66,588)	66,588	66,588
Discount rates	- 1%	29,297	31,272	(31,272)	(31,272)
2022					
Mortality/morbidity	+ 10%	135,924	83,295	(83,295)	(83,295)
Discount rates	+ 1%	(19,101)	(21,054)	21,054	21,054
Mortality/morbidity	- 10%	(98,423)	(52,743)	52,743	52,743
Discount rates	- 1%	23,630	25,480	(25,480)	(25,480)

* The tax impact on the participants' fund is presumed to be nil as the family takaful fund is taxed only on investment income.

The method used and significant assumptions made in deriving sensitivity information did not change from those used in the previous year.

38. Takaful risk (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis (cont'd.)

Shareholder's fund

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and Shareholder's equity. The correlations of assumptions will have a significant impact in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions %	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on Profit before tax RM '000	Impact on equity RM '000
2023		├---Increase/(decrease)---┤		├----(Decrease)/increase----┤	
Expense	+ 10%	23,524	23,524	(23,524)	(17,878)
Expense	- 10%	(17,078)	(17,078)	17,078	12,979
2022					
Expense	+ 10%	18,734	18,734	(18,734)	(14,238)
Expense	- 10%	(13,894)	(13,894)	13,894	10,559

The method used and significant assumptions made in deriving sensitivity information did not change from those used in the previous year.

39. Financial risk

Transactions in financial instruments may result in the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Company’s exposure to each of the above risks and the Company’s objectives, policies and processes for measuring and managing such risks.

39. Financial risk (cont'd.)

(a) Credit risk

Credit risk is the risk of a counterparty failing to perform its obligations.

Credit risk includes the following major elements:

(i) Investment credit risk which is the risk of financial loss arising from a change in the value of an investment. This is linked to the creditworthiness and the expected ability of the issuer and/or financial institution ("counterparty") to make timely payment of profit and/or principal. Any adverse situations faced by the counterparty may result in rating downgrades and default which may impact the value as well as liquidity of the investments;

(ii) Retakaful counterparty risk which is the risk of financial loss arising from the default or the deterioration of the solvency position of the retakaful operator; and

(iii) Contribution credit risk which is the risk of financial loss arising from the non-payment of takaful contribution.

The Company is exposed to investment credit risk on its investment portfolio, primarily from investments in Islamic corporate sukuk. Creditworthiness assessments for new and existing investments are undertaken by the Company in accordance with the Investment Policy as approved by the Board. In addition, the credit ratings of the sukuk portfolios are regularly monitored and any downgrade in credit ratings will be evaluated to determine the required actions. As at the financial year end, the Company's sukuk portfolio has no material exposure below investment grade.

The Company is exposed to retakaful counterparty risk of two different types:

(i) As a result of recoveries owing from the retakaful operators for claims; and

(ii) As a result of reserves held by the retakaful operators which would have to be met by the Company in the event of default.

Credit risk in respect of customer balances incurred on non-payment of takaful contributions will only persist during the contribution warranty period specified in the certificate or until expiry, when the certificate expires or is terminated.

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Management of credit risk

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

(i) Group Credit Risk Management Policy sets out key processes for credit risk management with primary focus on pro-actively identifying, assessing and monitoring credit related exposure within the business;

(ii) Investment policies prescribe the minimum credit rating for sukuks that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of sukuks in order to reduce the potential impact that may arise from individual companies defaulting;

(iii) Counterparty limits are set for investments and cash deposits to ensure that there is no concentration of credit risk;

(iv) The Company's investment portfolio is managed to ensure diversification and focuses on high quality investment grade fixed income securities and equity with good fundamentals; and

(v) To mitigate retakaful counterparty risk, the Company will give due consideration to the credit quality of a retakaful operator. To facilitate this process, a list of approved retakaful operators based on their rating is maintained within the Company. The Company regularly reviews the financial security of its retakaful operators.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the Company's credit ratings of counterparties.

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund	**Investment grade [i]**					**Non-investment grade [i]**			
2023	**Government guaranteed RM '000**	**AAA/P1 RM '000**	**AA RM '000**	**A RM '000**	**BBB RM '000**	**(C to BB) RM '000**	**Not Rated RM '000**	**Not subject to credit risk RM '000**	**Total RM '000**
Financial assets at FVTPL									
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	7,666	7,666
Shariah approved unit trust funds	-	-	-	-	-	-	-	5,155	5,155
Units held in investment-linked fund	-	-	-	-	-	-	-	13,712	13,712
Property trust funds	-	-	-	-	-	-	-	426	426
Financial assets at FVOCI									
Unquoted Islamic private debt securities	44,639	50,599	7,033	9,979	-	-	-	-	112,250
Government investment issues	95,811	-	-	-	-	-	-	-	95,811
Golf club memberships	-	-	-	-	-	-	-	118	118
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	105,112	93,254	21,514	-	-	-	-	219,880
Development banks	-	14,120	73,657	-	-	-	-	-	87,777
Secured staff financing	-	-	-	-	-	-	323	-	323
Due from takaful funds	-	-	-	-	-	-	2,472	-	2,472
Amount due from related companies	-	351	-	-	-	-	-	-	351
Income due and accrued	1,340	1,031	552	310	-	-	63	-	3,296
Sundry receivables	-	-	-	-	-	-	6,458	-	6,458
Cash and bank balances	-	211	737	11	-	-	-	-	959
	141,790	171,424	175,233	31,814	-	-	9,316	27,077	556,654

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund (cont'd.)	Investment grade [i]					Non-investment grade [i]			
	Government guaranteed	AAA/P1	AA	A	BBB	(C to BB)	Not Rated	Not subject to credit risk	Total
2022	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Financial assets at FVTPL									
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	9,574	9,574
Shariah approved unit trust funds	-	-	-	-	-	-	-	5,047	5,047
Units held in investment-linked fund	-	-	-	-	-	-	-	13,911	13,911
Property trust funds	-	-	-	-	-	-	-	384	384
Unquoted Islamic private debt securities	-	-	-	-	-	653	-	-	653
Financial assets at FVOCI									
Unquoted Islamic private debt securities	49,026	72,123	3,124	9,988	-	-	-	-	134,261
Government investment issues	115,299	-	-	-	-	-	-	-	115,299
Golf club memberships	-	-	-	-	-	-	-	118	118
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	69,884	21,953	13,893	-	-	-	-	105,730
Development banks	-	29,667	55,534	-	-	-	-	-	85,201
Secured staff financing	-	-	-	-	-	-	534	-	534
Due from takaful funds	-	-	-	-	-	-	30,935	-	30,935
Amount due from holding company	-	4,213	-	-	-	-	-	-	4,213
Amount due from related company	-	1,108	-	-	-	-	-	-	1,108
Income due and accrued	1,687	1,073	505	336	-	15	119	-	3,735
Sundry receivables	-	-	-	-	-	-	12,025	-	12,025
Cash and bank balances	-	287	1,757	5	-	-	-	-	2,049
	166,012	178,355	82,873	24,222	-	668	43,613	29,034	524,777

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund	**Investment grade [i]**					**Non-investment grade [i]**			
2023	**Government guaranteed RM '000**	**AAA/P1 RM '000**	**AA RM '000**	**A RM '000**	**BBB RM '000**	**(C to BB) RM '000**	**Not Rated RM '000**	**Not subject to credit risk RM '000**	**Total RM '000**
Financial assets at FVTPL									
Designated upon initial recognition:									
Unquoted Islamic private debt securities	811,329	422,429	130,559	72,092	-	-	-	-	1,436,409
Government investment issues	1,413,859	-	-	-	-	-	-	-	1,413,859
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	78,380	78,380
Shariah approved unit trust funds	-	-	-	-	-	-	-	254,833	254,833
Property trust funds	-	-	-	-	-	-	-	3,688	3,688
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	312,678	61,622	155,753	-	-	-	-	530,053
Development banks	-	79,376	134,882	-	-	-	-	-	214,258
Amount due from related companies	-	149	-	-	-	-	-	-	149
Income due and accrued	22,073	7,069	2,518	1,368	-	-	537	-	33,565
Sundry receivables	-	-	-	-	-	-	734	-	734
Retakaful certificate assets	-	-	116,529	4,479	-	-	27	-	121,035
Takaful certificate receivables	-	-	-	3,309	-	-	43,409	-	46,718
Cash and bank balances	-	5,437	1,266	2,320	-	-	-	-	9,023
	2,247,261	827,138	447,376	239,321	-	-	44,707	336,901	4,142,704

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)	**Investment grade [i]**					**Non-investment grade [i]**			
2022	**Government guaranteed RM '000**	**AAA/P1 RM '000**	**AA RM '000**	**A RM '000**	**BBB RM '000**	**(C to BB) RM '000**	**Not Rated RM '000**	**Not subject to credit risk RM '000**	**Total RM '000**
Financial assets at FVTPL									
Designated upon initial recognition:									
Unquoted Islamic private debt securities	826,418	400,546	83,969	62,528	-	-	-	-	1,373,461
Government investment issues	1,166,339	-	-	-	-	-	-	-	1,166,339
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	82,071	82,071
Shariah approved unit trust funds	-	-	-	-	-	-	-	232,779	232,779
Property trust funds	-	-	-	-	-	-	-	3,592	3,592
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	469,115	28,860	57,066	-	-	-	-	555,041
Development banks	-	183,284	107,670	-	-	-	-	-	290,954
Income due and accrued	19,384	6,908	2,144	1,159	-	-	705	-	30,300
Sundry receivables	-	-	-	-	-	-	10,335	-	10,335
Retakaful certificate assets	-	-	97,772	-	-	-	30	-	97,802
Takaful certificate receivables	-	-	505	-	-	-	40,543	-	41,048
Cash and bank balances	-	4,515	3,091	3,375	-	-	-	-	10,981
	2,012,141	1,064,368	324,011	124,128	-	-	51,613	318,442	3,894,703

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	Investment grade (i)					Non-investment grade (i)			
2023	**Government guaranteed RM '000**	**AAA/P1 RM '000**	**AA RM '000**	**A RM '000**	**BBB RM '000**	**(C to BB) RM '000**	**Not Rated RM '000**	**Not subject to credit risk RM '000**	**Total RM '000**
Financial assets at FVTPL									
Designated upon initial recognition:									
Unquoted Islamic private debt securities	811,329	422,429	130,559	72,092	-	-	-	-	1,436,409
Government investment issues	1,413,859	-	-	-	-	-	-	-	1,413,859
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	86,046	86,046
Shariah approved unit trust funds	-	-	-	-	-	-	-	259,988	259,988
Property trust funds	-	-	-	-	-	-	-	4,114	4,114
Financial assets at FVOCI									
Unquoted Islamic private debt securities	44,639	50,599	7,033	9,979	-	-	-	-	112,250
Government investment issues	95,811	-	-	-	-	-	-	-	95,811
Golf club memberships	-	-	-	-	-	-	-	118	118
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	417,790	154,876	177,267	-	-	-	-	749,933
Development banks	-	93,496	208,539	-	-	-	-	-	302,035
Secured staff financing	-	-	-	-	-	-	323	-	323
Amount due from related companies	-	500	-	-	-	-	-	-	500
Income due and accrued	23,413	8,100	3,070	1,678	-	-	600	-	36,861
Sundry receivables	-	-	-	-	-	-	7,192	-	7,192
Retakaful certificate assets	-	-	116,529	4,479	-	-	27	-	121,035
Takaful certificate receivables	-	-	-	3,309	-	-	43,409	-	46,718
Cash and bank balances	-	5,648	2,003	2,331	-	-	-	-	9,982
	2,389,051	998,562	622,609	271,135	-	-	51,551	350,266	4,683,174

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Company (cont'd.)

2022	Investment grade [i] Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	Non-investment grade [i] (C to BB) RM '000	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
Financial assets at FVTPL									
Designated upon initial recognition:									
Unquoted Islamic private debt securities	826,418	400,546	83,969	62,528	-	-	-	-	1,373,461
Government investment issues	1,166,339	-	-	-	-	-	-	-	1,166,339
Mandatorily measured:									
Quoted shares in Malaysia	-	-	-	-	-	-	-	91,645	91,645
Shariah approved unit trust funds	-	-	-	-	-	-	-	237,826	237,826
Property trust funds	-	-	-	-	-	-	-	3,976	3,976
Unquoted Islamic private debt securities	-	-	-	-	-	653	-	-	653
Financial assets at FVOCI									
Unquoted Islamic private debt securities	49,026	72,123	3,124	9,988	-	-	-	-	134,261
Government investment issues	115,299	-	-	-	-	-	-	-	115,299
Golf club memberships	-	-	-	-	-	-	-	118	118
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	538,999	50,813	70,959	-	-	-	-	660,771
Development banks	-	212,951	163,204	-	-	-	-	-	376,155
Secured staff financing	-	-	-	-	-	-	534	-	534
Amount due from holding company	-	4,213	-	-	-	-	-	-	4,213
Amount due from related companies	-	1,108	-	-	-	-	-	-	1,108
Income due and accrued	21,071	7,981	2,649	1,495	-	15	824	-	34,035
Sundry receivables	-	-	-	-	-	-	22,360	-	22,360
Retakaful certificate assets	-	-	97,772	-	-	-	30	-	97,802
Takaful certificate receivables	-	-	505	-	-	-	40,543	-	41,048
Cash and bank balances	-	4,802	4,848	3,380	-	-	-	-	13,030
	2,178,153	1,242,723	406,884	148,350	-	668	64,291	333,565	4,374,634

[i] Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM") and Malaysian Rating Corporation ("MARC").

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Investment assets - Reconciliation of allowance account</u>

Significant increase in credit risk ("SICR")

The Company applies the General Approach or the ‘three-bucket’ approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of Expected Credit Loss (“ECL”) is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate (“EIR”) method with the forward-looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the financial year end.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the financial year end and in each subsequent year throughout the expected life of the financial instruments.

To determine whether a financial asset is a credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

The table below shows the fair value of the Company’s financial investments measured by credit risk, based on the Company’s risk categories and the movements in allowances for impairment losses.

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Investment assets - Reconciliation of allowance account (cont'd.)

Expected credit loss (cont'd.)

	2023 Stage 1	2022 Stage 1
Shareholder's fund	**12-month ECL RM '000**	**12-month ECL RM '000**
Financial assets at FVOCI		
Government Guaranteed	140,450	164,325
AAA	50,599	72,123
AA	7,033	3,124
A	9,979	9,988
Not subject to credit risk	118	118
Carrying amount	208,179	249,678

	2023 Stage 1	2022 Stage 1
Company	**12-month ECL**	**12-month ECL**
Financial assets at FVOCI	**RM '000**	**RM '000**
Government Guaranteed	140,450	164,325
AAA	50,599	72,123
AA	7,033	3,124
A	9,979	9,988
Not subject to credit risk	118	118
Carrying amount	208,179	249,678

As at financial year, all financial investments at FVOCI and amortised cost above held by the Company are classified as Stage 1.

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Investment assets - Reconciliation of allowance account (cont'd.)</u>

Expected credit loss (cont'd.)

Movements in allowances for impairment losses for financial investments are as follows:

Shareholder's fund	**2023 Stage 1 12-month ECL RM '000**	**2022 Stage 1 12-month ECL RM '000**
As at 1 April	(10)	(60)
Net adjustment of loss allowance	(1)	50
As at 31 March	(11)	(10)

Family takaful fund	**2023 Stage 1 12-month ECL RM '000**	**2022 Stage 1 12-month ECL RM '000**
As at 1 April	-	(45)
Net adjustment of loss allowance	-	45
As at 31 March	-	-

Company	**2023 Stage 1 12-month ECL RM '000**	**2022 Stage 1 12-month ECL RM '000**
As at 1 April	(10)	(105)
Net adjustment of loss allowance	(1)	95
As at 31 March	(11)	(10)

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account

Other financial assets consist of takaful certificate receivables.

The Family takaful fund/Company applies the simplified approach and measures the allowance for impairment loss based on a lifetime ECL from initial recognition.

The key inputs into the measurement of ECL are based on the following variables as described in Note 2.11(ii).

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

(i) Quantitative criteria

Takaful receivables are considered to be in default when the counterparty fails to make contractual payments within 12 months when they fall due, which is derived based on the Company’s historical information.

(ii) Qualitative criteria

Default occurs when the counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty.

The criteria above have been applied to takaful certificate receivables held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Company's expected loss calculations.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analyses and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company.

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Other financial asset - Reconciliation of allowance account (cont'd.)</u>

Incorporation of forward-looking information (cont'd.)

Set out below is the information about the credit risk exposure on the Company's takaful certificate receivables using a provision matrix:

Family takaful fund/Company

2023	0 to 3 months RM' 000	4 to 6 months RM' 000	7 to 9 months RM' 000	10 to 12 months RM' 000	> 12 months RM' 000	Total RM' 000
ECL rate	1.7%	0.2%	25.9%	89.3%	100.0%	3.9%
Gross carrying amount -						
Takaful certificate receivables	44,432	2,852	247	149	929	48,609
Allowance for ECL	760	5	64	133	929	1,891

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Other financial asset - Reconciliation of allowance account (cont'd.)</u>

Incorporation of forward-looking information (cont'd.)

Family takaful fund/Company

2022	0 to 3 months RM' 000	4 to 6 months RM' 000	7 to 9 months RM' 000	10 to 12 months RM' 000	> 12 months RM' 000	Total RM' 000
ECL rate	2.0%	1.9%	71.4%	66.7%	100.0%	6.0%
Gross carrying amount -						
Takaful certificate receivables	40,518	1,057	1,011	21	1,039	43,646
Allowance for ECL	803	20	722	14	1,039	2,598

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial asset - Reconciliation of allowance account (cont'd.)

Incorporation of forward-looking information (cont'd.)

The table below shows the gross takaful certificate receivables and the movement of allowance for ECL.

Family takaful fund/Company	Credit impaired allowance RM '000	Not credit impaired allowance RM '000	Total RM '000
2023			
Gross carrying amount			
At 1 April 2022	710	42,936	43,646
(Decrease)/increase	(151)	5,114	4,963
As at 31 March 2023	559	48,050	48,609
Allowance for ECL			
At 1 April 2022	710	1,888	2,598
Net adjustment of loss allowance	(151)	(556)	(707)
As at 31 March 2023	559	1,332	1,891

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Other financial asset - Reconciliation of allowance account (cont'd.)</u>

Incorporation of forward-looking information (cont'd.)

Family takaful fund/Company	Credit impaired allowance RM '000	Not credit impaired allowance RM '000	Total RM '000
2022			
Gross carrying amount			
At 1 April 2021	829	52,371	53,200
Decrease	(119)	(9,435)	(9,554)
As at 31 March 2022	710	42,936	43,646
Allowance for ECL			
At 1 April 2021	829	4,286	5,115
Net adjustment of loss allowance	(119)	(2,398)	(2,517)
As at 31 March 2022	710	1,888	2,598

39. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial asset - Reconciliation of allowance account (cont'd.)

Incorporation of forward-looking information (cont'd.)

Movements in allowance for impairment losses for takaful certificate receivables are as follows:

Family takaful fund/Company	Individual allowance RM '000	Collective allowance RM '000	Total RM '000
2023			
At 1 April 2022	1,396	1,202	2,598
Net adjustment of loss allowance	(837)	130	(707)
As at 31 March 2023	559	1,332	1,891
2022			
At 1 April 2021	942	4,173	5,115
Net adjustment of loss allowance	454	(2,971)	(2,517)
As at 31 March 2022	1,396	1,202	2,598

39. Financial risk (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources available to meet its payment obligations without incurring material additional costs.

The Company assesses its liquidity risk by ensuring the following:

(i) The Company is able to meet its payment obligations under normal and stressed operating environments without suffering any loss;

(ii) Additions/withdrawals from the Company's investment funds are managed efficiently; and

(iii) Appropriate measures are in place to respond to liquidity risk.

As part of its liquidity management strategy, the Company has put in place a Group Liquidity Management Policy & Plan which outlines the processes capable of measuring and reporting on:

(i) Daily cash flows;

(ii) Minimum liquidity holdings;

(iii) The composition and market values of the Company's investment portfolios, including liquid holdings;

(iv) The holding of liquid assets in the respective funds; and

(v) Liquidity risk position.

In order to manage the liquidity of the takaful funds, the investment mandate requires that a certain proportion of the funds is maintained as liquid assets. Each fund specifies a percentage of minimum holding for certain types of investments with no limit for deposits.

Maturity profiles

The tables in the following pages summarise the maturity profiles of the assets and liabilities of the Company based on the remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificate liabilities and retakaful certificate assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

Expense liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Shareholder's fund

2023	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Mandatorily measured:						
Quoted shares in Malaysia	7,666	-	-	-	7,666	7,666
Units held in investment-linked fund	13,712	-	-	-	13,712	13,712
Property trust funds	426	-	-	-	426	426
Shariah approved unit trust funds	5,155	-	-	-	5,155	5,155
Financial assets at FVOCI						
Unquoted Islamic private debt securities	112,250	12,750	51,149	85,705	-	149,604
Government investment issues	95,811	3,985	25,781	123,266	-	153,032
Golf club memberships	118	-	-	-	118	118
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	219,880	221,460	-	-	-	221,460
Development banks	87,777	90,312	-	-	-	90,312
Secured staff financing	323	165	158	-	-	323
Due from takaful funds	2,472	2,472	-	-	-	2,472
Amount due from related companies	351	351	-	-	-	351
Income due and accrued	3,296	3,296	-	-	-	3,296
Sundry receivables	6,458	6,458	-	-	-	6,458
Cash and bank balances	959	959	-	-	-	959
Total financial and takaful assets	556,654	342,208	77,088	208,971	27,077	655,344
Due to agents, retakaful operators and brokers	5,469	5,469	-	-	-	5,469
Zakat payable	239	239	-	-	-	239
Lease liabilities	4,842	3,090	1,948	-	-	5,038
Total financial and takaful liabilities	10,550	8,798	1,948	-	-	10,746

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Shareholder's fund (cont'd.)

2022	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Mandatorily measured:						
Quoted shares in Malaysia	9,574	-	-	-	9,574	9,574
Units held in investment-linked fund	13,911	-	-	-	13,911	13,911
Property trust funds	384	-	-	-	384	384
Unquoted Islamic private debt securities	653	676	-	-	-	676
Shariah approved unit trust funds	5,047	-	-	-	5,047	5,047
Financial assets at FVOCI						
Unquoted Islamic private debt securities	134,261	41,729	36,642	95,671	-	174,042
Government investment issues	115,299	24,151	16,060	137,194	-	177,405
Golf club memberships	118	-	-	-	118	118
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	105,730	106,048	-	-	-	106,048
Development banks	85,201	85,560	-	-	-	85,560
Secured staff financing	534	272	262	-	-	534
Due from takaful funds	30,935	30,935	-	-	-	30,935
Amount due from holding company	4,213	4,213	-	-	-	4,213
Amount due from related companies	1,108	1,108	-	-	-	1,108
Income due and accrued	3,735	3,735	-	-	-	3,735
Sundry receivables	12,025	12,025	-	-	-	12,025
Cash and bank balances	2,049	2,049	-	-	-	2,049
Total financial and takaful assets	524,777	312,501	52,964	232,865	29,034	627,364
Due to agents, retakaful operators and brokers	2,285	2,285	-	-	-	2,285
Zakat payable	415	415	-	-	-	415
Lease liabilities	6,395	2,667	4,133	-	-	6,800
Total financial and takaful liabilities	9,095	5,367	4,133	-	-	9,500

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Family takaful fund

2023	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted Islamic private debt securities	1,436,409	108,102	561,027	1,546,617	-	2,215,746
Government investment issues	1,413,859	62,633	264,939	2,135,768	-	2,463,340
Mandatorily measured:						
Quoted shares in Malaysia	78,380	-	-	-	78,380	78,380
Property trust funds	3,688	-	-	-	3,688	3,688
Shariah approved unit trust funds	254,833	-	-	-	254,833	254,833
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	530,053	536,576	-	-	-	536,576
Development banks	214,258	219,026	-	-	-	219,026
Amount due from related companies	149	149	-	-	-	149
Income due and accrued	33,565	33,565	-	-	-	33,565
Sundry receivables	734	734	-	-	-	734
Retakaful certificate assets	121,035	65,847	11,204	74,436	-	151,487
Takaful certificate receivables	46,718	46,718	-	-	-	46,718
Cash and bank balances	9,023	9,023	-	-	-	9,023
Total financial and takaful assets	4,142,704	1,082,373	837,170	3,756,821	336,901	6,013,265
Takaful certificate liabilities	3,864,274	305,534	408,509	3,370,708	-	4,084,751
Takaful certificate payables	31,355	31,355	-	-	-	31,355
Total financial and takaful liabilities	3,895,629	336,889	408,509	3,370,708	-	4,116,106

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Family takaful fund (cont'd.)

2022	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted Islamic private debt securities	1,373,461	171,243	433,446	1,485,108	-	2,089,797
Government investment issues	1,166,339	52,438	219,694	1,777,527	-	2,049,659
Mandatorily measured:						
Quoted shares in Malaysia	82,071	-	-	-	82,071	82,071
Property trust funds	3,592	-	-	-	3,592	3,592
Shariah approved unit trust funds	232,779	-	-	-	232,779	232,779
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	555,041	556,695	-	-	-	556,695
Development banks	290,954	293,264	-	-	-	293,264
Income due and accrued	30,300	30,300	-	-	-	30,300
Sundry receivables	10,335	10,335	-	-	-	10,335
Retakaful certificate assets	97,802	54,670	11,528	44,720	-	110,918
Takaful certificate receivables	41,048	41,048	-	-	-	41,048
Cash and bank balances	10,981	10,981	-	-	-	10,981
Total financial and takaful assets	3,894,703	1,220,974	664,668	3,307,355	318,442	5,511,439
Takaful certificate liabilities	3,584,276	260,185	341,469	3,155,642	-	3,757,296
Takaful certificate payables	34,193	34,193	-	-	-	34,193
Total financial and takaful liabilities	3,618,469	294,378	341,469	3,155,642	-	3,791,489

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company **2023**	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted Islamic private debt securities	1,436,409	108,102	561,027	1,546,617	-	2,215,746
Government investment issues	1,413,859	62,633	264,939	2,135,768	-	2,463,340
Mandatorily measured:						
Quoted shares in Malaysia	86,046	-	-	-	86,046	86,046
Property trust funds	4,114	-	-	-	4,114	4,114
Shariah approved unit trust funds	259,988	-	-	-	259,988	259,988
Financial assets at FVOCI						
Unquoted Islamic private debt securities	112,250	12,750	51,149	85,705	-	149,604
Government investment issues	95,811	3,985	25,781	123,266	-	153,032
Golf club memberships	118	-	-	-	118	118
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	749,933	758,036	-	-	-	758,036
Development banks	302,035	309,338	-	-	-	309,338
Secured staff financing	323	165	158	-	-	323
Amount due from related companies	500	500	-	-	-	500
Income due and accrued	36,861	36,861	-	-	-	36,861
Sundry receivables	7,192	7,192	-	-	-	7,192
Retakaful certificate assets	121,035	65,847	11,204	74,436	-	151,487
Takaful certificate receivables	46,718	46,718	-	-	-	46,718
Cash and bank balances	9,982	9,982	-	-	-	9,982
Total financial and takaful assets	4,683,174	1,422,109	914,258	3,965,792	350,266	6,652,425

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)

2023 (cont'd.)	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Due to agents, retakaful operators and brokers	5,469	5,469	-	-	-	5,469
Takaful certificate liabilities	3,854,274	305,534	408,509	3,360,708	-	4,074,751
Takaful certificate payables	31,355	31,355	-	-	-	31,355
Zakat payable	239	239	-	-	-	239
Lease liabilities	165	168	-	-	-	168
Total financial and takaful liabilities	3,891,502	342,765	408,509	3,360,708	-	4,111,982

2022	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted Islamic private debt securities	1,373,461	171,243	433,446	1,485,108	-	2,089,797
Government investment issues	1,166,339	52,438	219,694	1,777,527	-	2,049,659
Mandatorily measured:						
Quoted shares in Malaysia	91,645	-	-	-	91,645	91,645
Property trust funds	3,976	-	-	-	3,976	3,976
Shariah approved unit trust funds	237,826	-	-	-	237,826	237,826
Unquoted Islamic private debt securities	653	676	-	-	-	676
Financial assets at FVOCI						
Unquoted Islamic private debt securities	134,261	41,729	36,642	95,671	-	174,042
Government investment issues	115,299	24,151	16,060	137,194	-	177,405
Golf club memberships	118	-	-	-	118	118

39. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.) **2022 (cont'd.)**	**Carrying value RM '000**	**Up to 1 year RM '000**	**1-5 years RM '000**	**Over 5 years RM '000**	**No maturity date RM '000**	**Total RM '000**
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	660,771	662,743	-	-	-	662,743
Development banks	376,155	378,824	-	-	-	378,824
Secured staff financing	534	272	262	-	-	534
Amount due from holding company	4,213	4,213	-	-	-	4,213
Amount due from related companies	1,108	1,108	-	-	-	1,108
Income due and accrued	34,035	34,035	-	-	-	34,035
Sundry receivables	22,360	22,360	-	-	-	22,360
Retakaful certificate assets	97,802	54,670	11,528	44,720	-	110,918
Takaful certificate receivables	41,048	41,048	-	-	-	41,048
Cash and bank balances	13,030	13,030	-	-	-	13,030
Total financial and takaful assets	4,374,634	1,502,540	717,632	3,540,220	333,565	6,093,957
Due to agents, retakaful operators and brokers	2,285	2,285	-	-	-	2,285
Takaful certificate liabilities	3,574,276	260,185	341,469	3,145,642	-	3,747,296
Takaful certificate payables	34,193	34,193	-	-	-	34,193
Zakat payable	415	415	-	-	-	415
Lease liabilities	442	288	168	-	-	456
Total financial and takaful liabilities	3,611,611	297,366	341,637	3,145,642	-	3,784,645

39. Financial risk (cont'd.)

(c) Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets. A risk of loss also arises from volatility in asset prices or profit rates. Market risk includes the following elements:

(i) Profit rate risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from variability in profit rates;

(ii) Price risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument impacting the equity and collective investment schemes (property trusts and unit trusts funds) prices; and

(iii) Property investment risk which is the risk of fluctuations in the fair value or future cash flows of a property arising from decline in real estate values or income, where the Company has invested in property or real estate for own occupancy, investment or rental purpose.

Profit rate risk

The Company is exposed to profit rate risks as follows:

(i) Fair values of fixed profit-bearing assets would move inversely to changes in profit rates; and

(ii) Future cash flows of variable profit-bearing assets would move in direct proportion to changes in rates.

The earnings of the Company are affected by changes in market profit rates due to the impact such changes have on profit income from cash and bank balances, including investments in Islamic deposits. The fixed income portfolio is inversely related to profit rates and, hence, is the source of portfolio volatility.

The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements.

The nature of the Company's exposure to profit rate risk and its objectives, policies and processes for managing profit rate risk have not changed significantly from the previous financial year.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

Sensitivity analysis

A change of 25 basis points ("bp") in profit rates at the financial year end would have increased/(decreased) the value of the portfolio of fixed-income investment by the amounts shown below.

		2023		**2022**	
Shareholder's fund	**Changes in variable**	**Impact on carrying value RM '000**	**Impact on profit/equity * RM '000**	**Impact on carrying value RM '000**	**Impact on profit/equity * RM '000**
		(Decrease)/increase		**(Decrease)/increase**	
Financial assets at FVOCI:					
Unquoted Islamic private debt securities	+25 bp	(1,699)	(1,291)	(1,786)	(1,357)
	-25 bp	1,699	1,291	1,786	1,357
Government investment issues	+25 bp	(2,374)	(1,804)	(2,427)	(1,845)
	-25 bp	2,374	1,804	2,427	1,845

* Impact on profit/equity is net of tax of 24% for the shareholder's fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

<u>Sensitivity analysis (cont'd.)</u>

Family takaful fund	Changes in variable	2023 Impact on carrying value RM '000	2023 Impact on participants' fund * RM '000	2022 Impact on carrying value RM '000	2022 Impact on participants' fund * RM '000
		(Decrease)/increase		(Decrease)/increase	
Financial assets at FVTPL:					
Unquoted Islamic private debt securities	+25 bp	(30,794)	(28,330)	(27,642)	(25,430)
	-25 bp	30,794	28,330	27,642	25,430
Government investment issues	+25 bp	(40,559)	(37,314)	(32,807)	(30,182)
	-25 bp	40,559	37,314	32,807	30,182

* Impact on participants' fund is net of tax of 8% for the family fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

Sensitivity analysis (cont'd.)

Company	Changes in variable	2023 Impact on carrying value RM '000	2023 Impact on profit/equity/ participants' fund * RM '000	2022 Impact on carrying value RM '000	2022 Impact on profit/equity/ participants' fund * RM '000
		(Decrease)/increase		(Decrease)/increase	
Financial assets at FVTPL:					
Unquoted Islamic private debt securities	+25 bp	(30,794)	(28,330)	(27,642)	(25,430)
	-25 bp	30,794	28,330	27,642	25,430
Government investment issues	+25 bp	(40,559)	(37,314)	(32,807)	(30,182)
	-25 bp	40,559	37,314	32,807	30,182
Financial assets at FVOCI:					
Unquoted Islamic private debt securities	+25 bp	(1,699)	(1,291)	(1,786)	(1,357)
	-25 bp	1,699	1,291	1,786	1,357
Government investment issues	+25 bp	(2,374)	(1,804)	(2,427)	(1,845)
	-25 bp	2,374	1,804	2,427	1,845

* Impact on profit/equity/participants' fund is net of tax of 24% for the shareholder's fund and 8% for the family takaful fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Price risk

Price risk is the risk that the fair value of a financial instruments fluctuates because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities impacting the equity and collective investment schemes whose values will fluctuate as a result of changes in market prices.

The Company manages such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regards also to such limits stipulated by BNM. The Company complied with such limits as stipulated by BNM during the financial year and has no significant concentration of price risk.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity (inclusive of the impact on other comprehensive income). The correlation of variables have a significant effect in determining the ultimate impact on price risk. Additionally, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Price risk (cont'd.)

Sensitivity analysis (cont'd.)

	Changes in variable	Impact on carrying value RM '000	Impact on other comprehensive income RM '000	Impact on profit before tax RM '000	Impact on profit/equity # RM '000
Shareholder's fund		Increase/(Decrease)			
2023					
Market Indices					
Bursa Malaysia	+5%	405	-	405	308
Bursa Malaysia	-5%	(405)	-	(405)	(308)
2022					
Market Indices					
Bursa Malaysia	+5%	498	-	498	378
Bursa Malaysia	-5%	(498)	-	(498)	(378)

Impact on profit/equity is net of tax of 24% for the shareholder's fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Price risk (cont'd.)

Sensitivity analysis (cont'd.)

Family takaful fund	Changes in variable	Impact on carrying value RM '000	Impact on other comprehensive income RM '000	Impact on surplus before tax RM '000	Impact on participants' fund # RM '000
		Increase/(Decrease)			
2023					
Market Indices					
Bursa Malaysia	+5%	4,103	-	4,103	3,775
Bursa Malaysia	-5%	(4,103)	-	(4,103)	(3,775)
2022					
Market Indices					
Bursa Malaysia	+5%	4,283	-	4,283	3,940
Bursa Malaysia	-5%	(4,283)	-	(4,283)	(3,940)

Impact on participants' fund is net of tax of 8% for the family takaful fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Price risk (cont'd.)

Sensitivity analysis (cont'd.)

Company	Changes in variable	Impact on carrying value RM '000	Impact on other comprehensive income RM '000	Impact on profit before tax RM '000	Impact on profit/equity/ participants' fund # RM '000
		Increase/(Decrease)			
2023					
Market Indices					
Bursa Malaysia	+5%	4,508	-	4,508	4,083
Bursa Malaysia	-5%	(4,508)	-	(4,508)	(4,083)
2022					
Market Indices					
Bursa Malaysia	+5%	4,781	-	4,781	4,319
Bursa Malaysia	-5%	(4,781)	-	(4,781)	(4,319)

Impact on profit/equity/participants' fund is net of tax of 24% for the shareholder's fund and 8% for the family takaful fund.

39. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Property Investment risk

Property investment risk is the risk of fluctuations in the fair value or future cash flows of a property arising from decline in real estate values or income, where the Company has invested in property or real estate for own occupancy, investment or rental purpose. Operational manuals are put in place to describe the responsibilities in relation to management of the properties.

The financial risk arising from delinquent or loss of tenants is managed at the outset through careful selection of properties with high tenancy rates including tenants with long term tenancies, screening of new tenants' credit worthiness and financial standing as well as ensuring that the properties and facilities are continuously maintained and upgraded.

Overall, the Company has no significant exposure to property risk.

40. Other risks

(a) Operational risk

Operational risk can broadly be defined as the risk of direct or indirect losses or reputational damage due to failure attributable to people, internal processes, system (IT) or from external events. Operational risk is inherent in all activities of the Company and can transverse multiple activities including outsourcing. It includes a wide spectrum of heterogeneous risks such as fraud, bribery and corruption, physical damage, business disruption, transaction failures, legal and regulatory breaches, pandemic outbreak, as well as employees' health and safety hazards.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to minimise risks to an acceptable level. Controls include effective segregation of duties, access controls, system validation, enhanced authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, and engagement of internal audit for assurance.

(b) Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage which the Company may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

The Company monitors all compliance aspects in observing the regulatory requirements. In this respect, it adopts the Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

40. Other risks (cont'd.)

(c) Shariah non-compliance risk

Shariah non-compliance ("SNC") risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Company may suffer arising from failure to comply with:

(i) The rulings of the Shariah Advisory Council of Bank Negara Malaysia (“SAC-BNM”);

(ii) Standards on Shariah matters issued by BNM (pursuant to section 29(1) of the IFSA);

(iii) The rulings and standards of the Shariah Advisory Council of Securities Commission Malaysia (“SAC-SC”); or

(iv) Decisions or advices of the GSC.

The Company mitigates such risk by initiating, monitoring and adhering to a robust Group Shariah Risk Management Framework (“SRM Framework”), guided by the Shariah Governance Framework issued by BNM.

(d) Environment, Social and Governance Risk (“ESG”) Risk

ESG or sustainability risks are considered as environmental, social and governance events or conditions which could create financial losses or reputational damages to the company. The Climate Change Risk (the risk resulting from climate change that affects natural and human systems) encompasses physical, transition and liability risks. It is a sub risk from ESG.

ESG risk arises from the potential impact that the Group’s operations may have on the environment, society, and the quality its governance. These include issues relating to climate change, labour practices as well as the Group’s ethics and transparency.

The Group has established Group Sustainability Commitment towards Net Zero Carbon Organisation by 2050, which will form part of the Group Sustainability Framework. The implementation and finalisation of the Framework shall be harmonised with the Group’s Sustainability Policy and Group Sustainability Roadmap.

41. Fair values

MFRS 7 *Financial Instruments: Disclosures* ("MFRS 7") requires the classification of financial instruments measured at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 *Fair Value Measurement* requires similar disclosure requirements as MFRS 7, but this is extended to include all assets and liabilities measured and/or disclosed at fair value.

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. The following levels of hierarchy are used for determining and disclosing the fair value of the Company's assets/liabilities:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include actively traded quoted equities, warrants and quoted unit and property trusts fund.

For investments in investment linked units and unit trusts, if any, fair value is determined by reference to published net asset values.

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Refers to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Such financial instruments include Islamic private debt securities and government investment issues.

Level 3 - Inputs that are not based on observable market data

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with Level 2. The chosen valuation technique incorporates management's assumptions and data.

41. Fair values (cont'd.)

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no reclassifications between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial years.

There were no transfers in and out of Level 3 of the fair value hierarchy during the current and previous financial years.

(i) Cash and bank balances and other receivables/payables

The carrying amounts of cash and bank balances and other receivables/payables are reasonable approximations of fair value due to the relatively short-term maturity of these financial instruments.

(ii) Financial assets at AC

The management had assessed that the fair value of financial assets at AC approximate their carrying amounts largely due to the short-term maturities of the instruments.

(iii) Takaful certificate receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in the audited financial statements for the financial year ended 31 March 2023. The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investment property and self occupied property

Buildings and investment property have been revalued at financial year end based on valuations performed by an accredited independent valuer having an appropriate recognised professional qualification. The valuations are based on the comparisons approach. In arriving at the fair value of the assets, the valuer had also taken into consideration the future developments in terms of infrastructure in the vicinity of the properties.

41. Fair values (cont'd.)

(v) Investments

Investments as at 31 March 2023 have been accounted for in accordance with the accounting policies as disclosed under Note 2.10.

(vi) Fair value disclosures based on 3-level hierarchy

The following tables show financial assets that are measured and/or disclosed at fair value on a recurring basis analysed by the different bases of fair values:

Assets measured at fair value:

Shareholder's fund	**Valuation technique using:**			
2023	**Level 1 Quoted market prices**	**Level 2 Observable inputs**	**Level 3 Significant unobservable inputs**	**Total**
Financial assets:	**RM '000**	**RM '000**	**RM '000**	**RM '000**
Financial assets at FVTPL:				
Quoted shares in Malaysia:				
Shariah approved equities	7,666	-	-	7,666
Units held in investment-linked fund	13,712	-	-	13,712
Property trust funds	426	-	-	426
Shariah approved unit trust funds	5,155	-	-	5,155
	26,959	-	-	26,959
Financial assets at FVOCI:				
Unquoted Islamic private debt securities	-	112,250	-	112,250
Government investment issues	-	95,811	-	95,811
Golf club memberships	-	-	118	118
	-	208,061	118	208,179
	26,959	208,061	118	235,138

41. Fair values (cont'd.)

(vi) Fair value disclosures based on 3-level hierarchy (cont'd.)

Assets measured at fair value (cont'd.):

Shareholder's fund (cont'd.) **2022** Financial assets:	**Valuation technique using:** **Level 1** **Quoted market prices** **RM '000**	**Level 2** **Observable inputs** **RM '000**	**Level 3** **Significant unobservable inputs** **RM '000**	**Total** **RM '000**
Financial assets at FVTPL:				
Unquoted Islamic private debt securities:				
Unsecured	-	653	-	653
Quoted shares in Malaysia:				
Shariah approved equities	9,574	-	-	9,574
Units held in investment-linked fund	13,911	-	-	13,911
Property trust funds	384	-	-	384
Shariah approved unit trust funds	5,047	-	-	5,047
	28,916	653	-	29,569
Financial assets at FVOCI:				
Unquoted Islamic private debt securities	-	134,261	-	134,261
Government investment issues	-	115,299	-	115,299
Golf club memberships	-	-	118	118
	-	249,560	118	249,678
	28,916	250,213	118	279,247

41. Fair values (cont'd.)

(vi) Fair value disclosures based on 3-level hierarchy (cont'd.)

Assets measured at fair value (cont'd.):

Family takaful fund 2023	Valuation technique using: Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	Total RM '000
Investment properties	-	-	82,085	82,085
Financial assets:				
Financial assets at FVTPL:				
Unquoted Islamic private debt securities	-	1,436,409	-	1,436,409
Government investment issues	-	1,413,859	-	1,413,859
Quoted shares in Malaysia:				
Shariah approved equities	78,380	-	-	78,380
Property trust funds	3,688	-	-	3,688
Shariah approved unit trust funds	254,833	-	-	254,833
	336,901	2,850,268	-	3,187,169

41. Fair values (cont'd.)

(vi) Fair value disclosures based on 3-level hierarchy (cont'd.)

Assets measured at fair value (cont'd.):

Family takaful fund (cont'd.)	**Valuation technique using:**			
2022	**Level 1 Quoted market prices RM '000**	**Level 2 Observable inputs RM '000**	**Level 3 Significant unobservable inputs RM '000**	**Total RM '000**
Investment properties	-	-	81,620	81,620
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Unquoted Islamic private debt securities	-	1,373,461	-	1,373,461
Government investment issues	-	1,166,339	-	1,166,339
Quoted shares in Malaysia:				
Shariah approved equities	82,071	-		82,071
Property trust funds	3,592	-	-	3,592
Shariah approved unit trust funds	232,779	-	-	232,779
	318,442	2,539,800	-	2,858,242

41. Fair values (cont'd.)

(vi) Fair value disclosures based on 3-level hierarchy (cont'd.)

Assets measured at fair value (cont'd.):

Company 2023	Valuation technique using: Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	Total RM '000
Self occupied property	-	-	82,085	82,085
Financial assets:				
Financial assets at FVTPL:				
Unquoted Islamic private debt securities	-	1,436,409	-	1,436,409
Government investment issues	-	1,413,859	-	1,413,859
Quoted shares in Malaysia:				
Shariah approved equities	86,046	-	-	86,046
Property trust funds	4,114	-	-	4,114
Shariah approved unit trust funds	259,988	-	-	259,988
	350,148	2,850,268	-	3,200,416
Financial assets at FVOCI:				
Unquoted Islamic private debt securities	-	112,250	-	112,250
Government investment issues	-	95,811	-	95,811
Golf club memberships	-	-	118	118
	-	208,061	118	208,179
	350,148	3,058,329	118	3,408,595

41. Fair values (cont'd.)

(vi) Fair value disclosures based on 3-level hierarchy (cont'd.)

Assets measured at fair value (cont'd.):

Company (cont'd.) **2022**	**Valuation technique using:** Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	**Total RM '000**
Self occupied property	-	-	81,620	81,620
Financial assets:				
Financial assets at FVTPL:				
Unquoted Islamic private debt securities	-	1,374,114	-	1,374,114
Government investment issues	-	1,166,339	-	1,166,339
Quoted shares in Malaysia:				
Shariah approved equities	91,645	-	-	91,645
Property trust funds	3,976	-	-	3,976
Shariah approved unit trust funds	237,826	-	-	237,826
	333,447	2,540,453	-	2,873,900
Financial assets at FVOCI:				
Unquoted Islamic private debt securities	-	134,261	-	134,261
Government investment issues	-	115,299	-	115,299
Golf club memberships	-	-	118	118
	-	249,560	118	249,678
	333,447	2,790,013	118	3,123,578

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