



DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

31 March 2023

TAKAFUL IKHLAS GENERAL BERHAD

201701019705 (1233870-A)



Takaful Ikhlas General Berhad
(201701019705 (1233870-A))
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2023

201701019705 (1233870-A)

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

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Directors' Report

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

Principal activity

The Company is principally engaged in the management of general 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 Group" or "the Group"), 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	<u>40,081</u>

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 the financial year ended 31 March 2022:	
Final single tier dividend of 7.83% on 230,000,002 ordinary shares, declared on 23 June 2022 and paid on 5 October 2022.	<u>18,000</u>

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.

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Options granted over unissued shares

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

Significant event

The Company had signed preferred partnership agreements with banks to distribute general takaful products for a tenure of 5 years during the financial year.

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
Zaharudin Daud
Rosinah Mohd Salleh
Arul Sothy Mylvaganam
Woon Tai Hai
Dato' Amirudin Abdul Halim
Dr. Wan Zamri Wan Ismail

In accordance with Clause 22.3 of the Company's Constitution, Arul Sothy Mylvaganam and Woon Tai Hai will be retiring at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the 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, or the fixed salary and benefits receivable as a full time employee of the Company as disclosed in Notes 10, 11 and 33 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest to be disclosed under Part 1, Section 3 of the Fifth Schedule of the Companies Act, 2016.

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Directors' indemnity

During the financial year, the ultimate holding company, MNRB Holdings Berhad purchased a Directors and Officers Liability Takaful cover to provide indemnity to all Directors of the MNRB 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.

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 *Corporate Governance* ("PD CG"). The Company is committed to the principles prescribed in this policy document to ensure public accountability at all times.

Further details are disclosed on pages 5 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 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.
- (b) As 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 provision 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) As 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.

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Other statutory information (cont'd.)

- (d) As 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 as 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 in respect 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 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.

- (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 Framework") issued by BNM.

Auditors

Details of the Auditors' remuneration for their services during the year are disclosed in Note 10 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 June 2023.


Datuk Johar Che Mat

Kuala Lumpur, Malaysia
21 June 2023


Zaharudin Daud

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Corporate Governance Disclosures (as referred to in the Directors' Report)

The Board of Directors ("Board") of Takaful Ikhlas General Berhad ("the Company") 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 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 includes 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 has 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, as well as adopting the principles and best practices of the PD CG, 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

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 Holdings Berhad.

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

	Composition	Percentage
NINEC	1/7	14.3%
NIED	1/7	14.3%
INED	5/7	71.4%

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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, legal, economics, investment, information technology, 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.

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 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/our-leadership>.

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 for 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.

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Directors' Independence and INED (cont'd.)

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.

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 two (2) years, and has not served for more than nine (9) years on the Board, 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 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 MNRB Holdings Berhad at its 301st (Special) Meeting held on 30 March 2022 had approved the proposed revision to the MNRB Group Independent Directors Policy ("Group ID 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 length of INEDs' service 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.

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MNRB Group Independent Director Policy (cont'd.)

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
- 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 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's 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 carrying out of checks on bankruptcy and regulatory disqualification.

The GNRC will 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.

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

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.

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, 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 the PD CG, the Company is required to apply to BNM for the re-appointment 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 22.3 of the Company's Constitution, Arul Sothy Mylvaganam and Woon Tai Hai will be retiring at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

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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 the 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 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 shareholders and the affairs of the Company be performed in an ethical manner.

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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 ten (10) 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 (Chairman) NINEC	10/10	100%
Zaharudin Daud NIED	10/10	100%
Rosinah Mohd Salleh INED	10/10	100%
Arul Sothy Mylvaganam INED	10/10	100%
Woon Tai Hai INED	10/10	100%
Dato' Amirudin Abdul Halim INED	10/10	100%
Dr. Wan Zamri Wan Ismail INED	10/10	100%

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Board meetings (cont'd.)

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.

The respective Board Committee's 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 as specified in the Board Charter.

- Approval of financial results;
- Business and operating strategies;
- Material acquisition and disposal of assets;
- New or changes to current business plans;
- 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;
- Appointment of professional independent advisors such as merchant bankers, solicitors, reporting accountants, auditors, tax advisers, actuaries and others;
- Staff bonus and annual increment;
- Policies and procedures;
- Annual budget; and
- Capital management plan.

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Board meetings (cont'd.)

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 Holdings Berhad ("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 fees which are recommended by the Board and approved annually by the shareholder at the AGM.

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 Chairman of the Board and the various Board Committees.
- 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 allowance for all Directors is also determined by the Board.

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Directors' remuneration (cont'd.)

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

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

		Meeting attendance allowance RM	Annual fees RM
Board	Chairman	RM1,500 for each meeting attended	80,000
	Member		70,000
Audit Committee	Chairman		22,000
	Member		17,000
Risk Management Committee	Chairman		22,000
	Member		17,000
Group Nomination & Remuneration Committee	Member/ Permanent		12,000
	Invitee		
Group Investment Committee ("GIC")	Member		12,000

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 RM755,000 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.

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 Family Berhad ("Takaful IKHLAS Family") 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.

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Directors' remuneration (cont'd.)

(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 team of the Company

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 team of the Company 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 Team's 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.

Staff engaged in all control functions including Actuarial 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 domain.

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.

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

The Company is currently working on Retention Bonus Policy and talent retention risks assessment to help addressed 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	3,789	-	Salaries, allowance and EPF
- Other	9	-	Benefits-in-kind
Variable remuneration:			
- Cash-based	265	-	Variable bonus and EPF on bonus
- Other	-	-	Benefit-in-kind

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.

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 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.

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Supply of information (cont'd.)

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 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 Companies Act, 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.

In view of the challenges and recognising the importance of increased board leadership, the Company provides the Board members with relevant training programmes and seminars in order to continuously strengthen their skill set and knowledge as well as to acquire sound understanding of current issues and developments in the financial and business environment.

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.

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Directors' training (cont'd.)

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 – “MFRS 9 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
- 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 and 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.

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Board Committees (cont'd.)

(i) Audit Committee ("AC")

As at the financial year end, the AC comprises three (3) INED. One (1) member of the Committee is a qualified accountant and member of the Malaysian Institute of Accountants.

The AC's 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.

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
<u>Chairman</u>		
Arul Sothy Mylvaganam	6/6	100%
<u>Members</u>		
Dato' Amirudin Abdul Halim	6/6	100%
Dr. Wan Zamri Wan Ismail	6/6	100%

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Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

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, regulatory capital requirements and stress test results of the Company for quarterly and year-end financial results to be in compliance with BNM's requirements;
- Deliberated on and recommended to the Board, the adoption of new Malaysian Financial Reporting Standards ("MFRS") and Amendments/Annual Improvements to MFRSs that were effective for the financial year ended 31 March 2023;
- Deliberated on matters pertaining to the implementation of MFRS 17 *Insurance Contract*;
- Deliberated and recommended to the Board, the payable amount for dividend for financial year ended 31 March 2022;
- 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 a periodic basis, including understanding the relationship of the transacting parties, the 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;

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Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

- 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 were also held with the external auditors on 13 June 2022 and 17 November 2022 respectively. Matters discussed during these meetings include key observations noted by the external auditors during the course of their annual audit;
- Reviewed the internal audit plan for FYE 23/24 and external auditors' 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 Malaysia's concerns highlighted in Composite Risk Rating Letter for the year 2021.

(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.

The RMCB comprises three (3) INEDs and one (1) Non-Independent Non-Executive Director ("NINED").

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;

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Board Committees (cont'd.)

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

- 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 staff 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.

During the financial year, five (5) 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>		
Dr. Wan Zamri Wan Ismail	5/5	100%
<u>Members</u>		
Datuk Johar Che Mat	5/5	100%
Rosinah binti Mohd Salleh	5/5	100%
Woon Tai Hai	5/5	100%

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Board Committees (cont'd.)

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

The GNRC was 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.

During the financial year, ten (10) GNRC meetings were held. Details of the Committee members' attendance at the meetings held during the financial year 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 <i>Permanent Invitee representing Takaful Ikhlas Family Berhad</i>	10/10	100%
Dr. Wan Zamri Wan Ismail <i>Permanent Invitee representing the Company</i>	9/10	90%

Other Oversight Committees

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

(a) Group Investment Committee ("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.

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Other Oversight Committees (cont'd.)

(a) Group Investment Committee (“GIC”) (cont'd.)

Dato' Amirudin Abdul Halim was appointed to represent the Company as 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 ("ITOC")

The Board is advised by the ITOC of Takaful Ikhlas Family Berhad. The ITOC guides the Board in discharging its responsibility to ensure that material investments in the Company's technology projects and programs are aligned with its organizational 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.

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Group Shariah Committee ("GSC")

The Company is advised by the GSC of MNRB Holdings Berhad. The GSC as an integral function of Shariah governance is responsible to provide Shariah advisory oversight 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 Shariah Governance ("SG") which outlines the Bank'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 who are Shariah qualified person fulfilling the requirements 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 takaful business 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.

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Group Shariah Committee (cont'd.)

A total of six (6) GSC meetings were held during the financial year and the details of the GSC members' attendance at the meetings are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Prof. Dr. Younes Soualhi <i>(Appointed as Chairman with effect from 3 November 2022)</i>	3/3	100%
Assoc. Prof. Dr. Said Bouheraoua <i>(Resigned as Chairman with effect from 2 November 2022)</i>	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 <i>(Appointed as Member with effect from 1 July 2022)</i>	5/5	100%
Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'Im Haji Mokhtar <i>(Resigned as member with effect from 3 December 2022)</i>	4/4	100%

Key information on each of the GSC members 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.

This Policy governs the disclosures, reporting and investigation of misconduct within the Company as well as the protection offered to the persons making those disclosures ("whistleblowers") from detrimental action in accordance with the Whistleblower Protection Act, 2010.

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Whistleblowing (cont'd.)

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 & GCEO of MNRB.

The disclosure of misconduct or wrongdoing shall be made in writing via email to disclosure@mnr.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 relation to 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.

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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 and interim 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 252 (1) of the Companies Act, 2016 is set out on page 42.

(ii) Internal control and risk management

Responsibility

The Board acknowledges its overall responsibility for the establishment and oversight of the Company's 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 Company's business strategies and objectives, within the risk appetite and tolerance established by the Board. In pursuing these objectives, internal control systems can only provide reasonable, but not absolute, assurance against any material financial misstatement, fraud or losses.

The Board adopts the Risk Management ("RM") Framework that describes the structure, approach and process for identifying, evaluating, responding to, monitoring and managing the significant risks faced by the Company. The Framework has been in place for the whole of the financial year ended 31 March 2023 and has continued up to the date on which this report was approved.

The RM Framework serves as a central risk management framework, supported by related 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 Bank Negara Malaysia ("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 the Company. The RM Framework is regularly reviewed by the Board.

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Accountability and Audit (cont'd.)

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

Risk Management Governance

- A dedicated Board Committee known as the RMCB has been established at the Company 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. As part of the risk governance process, the Chairman of RMCB has provided his confirmation to the Chairman of MNRB that the necessary risk management framework had been put in place and had been operating adequately, in all material aspects, to safeguard shareholder's interests and the Company's assets, as well as to manage the risks of the Company 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 Senior Management Committee ("SMC") will oversee the implementation of risk and compliance management processes, establish and implement appropriate organizational structures and systems for managing financial and non-financial risks.
- A dedicated Management Committee known as the GMRCC was established 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.
- 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 Head of Risk Management, together with Group Chief Risk Officer ("GCRO"), oversee risk governance at the Company and assist the GMRCC and the RMCB in ensuring effective implementation and maintenance of the RM Framework and its sub-framework. The Head of Risk Management is supported by the Risk Management Department which was formed to provide the necessary infrastructure to carry out the risk management function and act as the central contact and guide for risk management issues.

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Accountability and Audit (cont'd.)

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

Risk Management Governance (cont'd.)

- The Company adopts the 'Three Lines of Defence ("LOD")' governance 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 at the Company.

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:

(a) Risk Management Framework

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

Risk Appetite

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

The Risk Appetite Statement ("RAS") was established by the Board 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 Company, through its normal day-to-day business, is exposed to different types of risks that could adversely affect the Company'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 Company's key risks are described in the relevant sections of the Financial Statements.

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Accountability and Audit (cont'd.)

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

Risk management and internal control structure (cont'd.)

(b) Internal Audit Function

- 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 AC 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 Group to assess the adequacy and effectiveness of governance, risk management and internal controls.
- 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 AC have active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the AC during the year are highlighted in the Audit Committee Reports of MNRB and its main operating subsidiaries.

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Accountability and Audit (cont'd.)

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

Risk management and internal control structure (cont'd.)

(c) Other Key Elements of Internal Control

- The Board ensures that all decisions are communicated promptly to staff of all levels within the Company and vice versa where feedback and suggestions on improvements could be communicated to the Management and the Board.
- The Company has a well-defined organisational structure with clear lines of responsibility and accountability. Further, to minimise errors and reduce the possibilities of fraud, by ensuring that critical tasks are assigned to different employees.
- Annual business plans and budgets are developed in line with the Company's strategies and risk appetite, and submitted to the Board for approval. Financial performance and major variances against targets are reviewed by the Management on a regular basis and reported to the Board on a quarterly basis.
- The Company's financial systems record all transactions to produce performance reports that are submitted to the respective Management within internally stipulated timelines. These performance reports are tabled to the AC and approved by the Board.
- The Underwriting Guidelines for the general takaful business have been put in place to manage risks being underwritten.
- Retakaful programmes are in place as risk mitigation initiatives, supported by a spread of 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 Company is contractually bound to observe the adopted MNRB Group Code of Ethics, which promotes a culture of compliance, professionalism, ethical standards and responsible conduct. The Company expects each employee to perform and work with honesty and integrity at all times and uphold the Company's values without fail.

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Accountability and Audit (cont'd.)

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

Risk management and internal control structure (cont'd.)

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

- The Company 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 Company implements the annual Mandatory Block Leave ("MBL") to create a positive talent management culture where the Company 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 Company does not tolerate fraud of any form.
- 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").

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Accountability and Audit (cont'd.)

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

Risk management and internal control structure (cont'd.)

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

- A Group Whistleblowing Policy is 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 Company has also established a Disaster Recovery Plan ("DRP") which outlines the processes and set of procedures to recover the Company's IT infrastructure within a set Recovery Time Objective ("RTO").

The BCM Programme and the 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 Company is adequately protected against these risks and/or claims that could result in financial or reputational loss.
- The Information Technology Steering Committee ("ITSC") is established to oversee the implementation of IT strategic plans and provide direction in support of IT related initiatives and activities.
- The Information Communication & Technology Department is responsible for continuously monitoring and responding to IT security threats to the Company, 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.

**Takaful Ikhlas General Berhad
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Accountability and Audit (cont'd.)

(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 33 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.

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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. 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 Independent Non-Executive Chairman/Director of Takaful Ikhlas Family Berhad (Takaful IKHLAS Family) on 3 January 2019 and was subsequently re-designated as Non-Independent Non-Executive Chairman/Director of Takaful IKHLAS Family effective 1 July 2019 following his appointment as Non-Independent Non-Executive Chairman at MNRB Holdings Berhad 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 ten (10) Board Meetings held during the financial year.

Zaharudin Daud, Non-Independent Executive Director

Male, Malaysian, a Non-Independent Executive Director since 23 November 2020. He is a member of Investment 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.

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**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Board of Directors' profile (cont'd.)

Zaharudin Daud, Non-Independent Executive Director (cont'd.)

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 Family 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 ten (10) Board Meetings held during the financial year.

Rosinah Mohd Salleh, Independent Non-Executive Director

Female, Malaysian, a Director of the Company since the incorporation date. She was then re-designated as an Independent Non-Executive Director effectively on 30 November 2018. She is a member of the Risk Management Committee of the Board. She obtained a Bachelor of Laws (LLB) Degree from University of Kent in Canterbury, England in 1992 and was admitted as a Barrister-at-Law at Lincoln's Inn in 1993. In 2000, she obtained a Master of Business Administration (International Industrial Management) from the University of Applied Sciences, Esslingen, Germany. She began her career in 1994 when she joined Nik Saghir & Ismail, a corporate law firm as a Corporate Lawyer. In 2001, she joined RHB Banking Group as its Legal Manager.

In 2004, she joined Ng & Shum, a law firm in Guangzhou, China as a Foreign Lawyer. In 2007, she joined Azmi & Associates, a corporate law firm in Kuala Lumpur as a Senior Counsel. In 2011, she joined TUV Rheinland Japan Ltd in Yokohama, Japan as the Coordinator at the Product Certification Department. From 2012 until 14 September 2019, she was a Partner at Azmi & Associates in Kuala Lumpur. She was appointed as Director of MNRB Holdings Berhad from 1 January 2017 until 30 September 2019. She had attended all ten (10) Board Meetings held during the financial year.

Arul Sothy Mylvaganam, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director since 1 October 2019. He is the Chairman of the Audit Committee. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He is also a Chartered Accountant with the Malaysian Institute of Accountants, a Fellow of the Institute of Certified Public Accountants, Australia and Certified Financial Planner of the Financial Planning Association of Malaysia. He completed his articleship in London and gained commercial experience in other United Kingdom companies.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Board of Directors' profile (cont'd.)

Arul Sothy Mylvaganam, Independent Non-Executive Director (cont'd.)

He had also served in Ernst & Young as Senior Manager of Audit before being appointed as the General Manager and Chief Financial Officer of Syarikat Perumahan Pegawai Kerajaan Sdn. Bhd. Thereafter, he was appointed as the Group Chief Operating Officer of PNB Commercial Sdn. Bhd., a subsidiary of Permodalan Nasional Berhad before he commenced his own financial consultancy practice. He was appointed as Director of Malaysian Reinsurance Berhad from 1 June 2016 until 30 September 2019 and MNRB Holdings Berhad from 1 January 2017 until 30 September 2019. He was appointed as a Director of MBSB Bank Berhad on 5 May 2020. He had attended all ten (10) Board Meetings held during the financial year.

Woon Tai Hai, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director ("INED") since 1 October 2019. He is a member of the Risk Management Committee of the Board. 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) teams 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 Ex Officio Malaysia by Australia Business Council (MABC). Woon was also appointed as an INED of Takaful Ikhlas Family Berhad effective 1 September 2019. On 25 August 2022, he was appointed as an INED of Day Three Digital Berhad. He had attended all ten (10) Board Meetings held during the financial year.

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**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Board of Directors' profile (cont'd.)

Dato' Amirudin Abdul Halim, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director since 1 April 2021. He is a member of the Audit Committee and the Group Investment Committee of MNRB Holdings Berhad. He holds a Bachelor of Arts in Finance from the St. Louis University, Missouri, USA and a Diploma in Business Studies from Universiti Teknologi MARA, Shah Alam. He has also completed Advanced Management Programme from the Wharton Business School, University of Pennsylvania, USA. He started his carrier as a banker with Maybank Finance Berhad in 1988 as an Assistant Branch Manager, Alor Setar Branch and had since served in various divisions in Maybank Group.

Thereafter, he was with Affin Bank Berhad from year 2009 until 2016 as Director, Business Banking and was promoted to the post of Executive Director, Banking. He was appointed as the Chief Operating Officer (Business) of Bank Kerjasama Rakyat Malaysia Berhad from year 2017 until 2019. He has over 30 years' experience in the banking industry encompassing more than 20 years in the Senior Management capacity with some of the top ten (10) banks in Malaysia. He was also formerly a Director of Bank Simpanan Nasional Berhad from year 2019 until 2022. On 21 December 2022, Dato' Amirudin was appointed a director of Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat). He had attended all ten (10) Board Meetings held during the financial year.

Dr. Wan Zamri Wan Ismail, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director since 1 October 2021. He is the Chairman of the Risk Management Committee of the Board and a member of the Audit Committee and a Permanent Invitee of the Group Nomination & Remuneration Committee of MNRB Holdings Berhad. He is an Associate member of the Malaysian Insurance Institute, holds a Master of Science in Islamic Banking and Finance from the International Islamic University Malaysia ("IIUM"). He completed his Ph.D in Contemporary Islamic Studies from Universiti Teknologi MARA in 2022. He possesses more than forty (40) years of experience in the Insurance, Reinsurance, Takaful and Retakaful industries. He began his career with Mayban-Phoenix Assurance Berhad, Malaysian National Reinsurance Berhad and Trust International Insurance Berhad from 1978 until 1986.

He was then appointed as the first Branch Manager of Syarikat Takaful Malaysia Berhad in the state of Kelantan until 1997 before joining Asean Retakaful International (Labuan) Ltd as the Chief Executive Officer until 2004. Thereafter, he was appointed as the Managing Director of Syarikat Takaful Indonesia from 2004 until 2007, and later served at Dar Al- Takaful Plc, Dubai as the Chief Executive Officer until 2010. In 2016, he joined Noor Takaful Nigeria Plc as the Managing Director until 2017. In 2018, he was appointed as an Independent Non-Executive Director of Noor Takaful Nigeria Plc until today. Over the years of his career, he has presented papers at international conferences and workshops on takaful and retakaful in Malaysia, Indonesia, Singapore, Russia, Brunei, UAE, Thailand, Australia, Bangladesh, Sri Lanka, Nigeria, Gambia, United Kingdom, Egypt and the United States of America. Currently, he is a part time Trainer at Islamic Banking and Finance Institute Malaysia and Malaysian Insurance Institute. He had attended all ten (10) Board Meetings held during the financial year.

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**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Group Shariah Committee Members' profile

Prof. Dr. Younes Soualhi

Male, Algerian. Appointed as a new Chairman of Group Shariah Committee with effect from November 3, 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.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

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

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 served 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.

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

Male, Malaysian. Appointed as a Group Shariah Committee member on 3rd 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 Dr. Luqman 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 Nassiyah).

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, OCBC Al-Amin Bank Berhad, a member of the Shariah Committee at KOPSYA and Afshaa Shariah Advisory Sdn Bhd. He was 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 General 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 General Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 49 to 186 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 the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 June 2023.



Datuk Johar Che Mat



Zaharudin Daud

Kuala Lumpur, Malaysia

Statutory Declaration

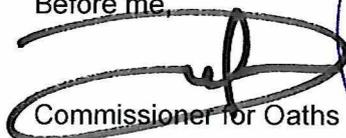
Pursuant to Section 251(1)(b) of the Companies Act, 2016

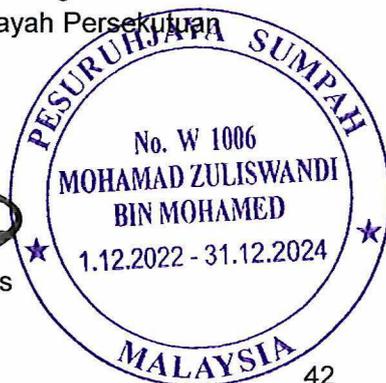
I, Chan Kim Ming (MIA membership no. 34773), being the officer primarily responsible for the financial management of Takaful Ikhlas General Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 186 are in my opinion correct, and I make this solemn 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 Chan Kim Ming
at Kuala Lumpur in Wilayah Persekutuan
on 21 June 2023



Chan Kim Ming

Before me,

Commissioner for Oaths



42
Level 25, Menara Hong Leong,
No. 6, Jalan Damanlela Bukit Damansara,
50490 Kuala Lumpur.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Report of the Group Shariah Committee

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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 the Shariah review and Shariah audit which included examining, on a test basis, each type of transactions, the relevant documentations and procedures adopted by the Company.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that 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 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 except for the surplus administration charges earned from the general takaful fund that relate to the income from mauqf. This will be fully provided for charity purposes;

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

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 has 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
21 June 2023

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

Report on the financial statements

Opinion

We have audited the financial statements of Takaful Ikhlas General Berhad ("the Company"), which comprise the statement of financial position as at 31 March 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 March 2023, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 49 to 186.

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 its 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 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.

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

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

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.

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.

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Independent auditors' report to the member of
Takaful Ikhlas General 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 represents 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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Independent auditors' report to the member of
Takaful Ikhlas General 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

Kuala Lumpur, Malaysia
21 June 2023



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

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 March 2023

	Note	2023			2022		
		Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Gross earned contributions	4(a)	-	640,169	640,169	-	493,392	493,392
Earned contributions ceded to retakaful	4(b)	-	(233,151)	(233,151)	-	(186,054)	(186,054)
Net earned contributions		-	407,018	407,018	-	307,338	307,338
Investment income	5	7,411	22,886	30,297	7,668	16,794	24,462
Realised (losses)/gains	6	(630)	(481)	(1,111)	826	2,860	3,686
Fair value gains/(losses)	7	418	(1,141)	(723)	(508)	(1,085)	(1,593)
Fee and commission income	8	268,313	56,545	56,545	195,153	42,513	42,513
Other operating income	12	2,026	6,277	8,303	262	7,658	7,920
Other revenue		277,538	84,086	93,311	203,401	68,740	76,988
Gross claims paid		-	(269,211)	(269,211)	-	(214,448)	(214,448)
Claims ceded to retakaful		-	119,036	119,036	-	112,639	112,639
Gross change to certificate liabilities		-	(89,262)	(89,262)	-	(100,326)	(100,326)
Change in certificate liabilities ceded to retakaful		-	27,390	27,390	-	49,099	49,099
Net claims and benefits		-	(212,047)	(212,047)	-	(153,036)	(153,036)
Fee and commission expenses	9	(85,176)	(268,313)	(85,176)	(61,900)	(195,153)	(61,900)
Management expenses	10	(125,657)	-	(125,657)	(92,366)	-	(92,366)
Finance costs	18	(405)	-	(405)	(189)	-	(189)
Change in expense liabilities	13	(9,927)	-	(9,927)	(5,203)	-	(5,203)
Tax borne by participants	14	-	(1,637)	(1,637)	-	(5,374)	(5,374)
Other expenses		(221,165)	(269,950)	(222,802)	(159,658)	(200,527)	(165,032)

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

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

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Operating profit	56,373	9,107	65,480	43,744	22,515	66,259
Surplus attributable to participants	-	(9,107)	(9,107)	-	(22,515)	(22,515)
Profit before zakat and taxation	56,373	-	56,373	43,744	-	43,744
Zakat	(1,028)	-	(1,028)	(843)	-	(843)
Taxation	(15,264)	-	(15,264)	(10,039)	-	(10,039)
Net profit for the year	40,081	-	40,081	32,862	-	32,862
Basic earnings per share (sen)			17.4			14.3

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

	2023			2022			
	Note	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Net profit for the year		40,081	-	40,081	32,862	-	32,862
Other comprehensive income:							
Items that may be subsequently reclassified to income statement:							
Net gains/(losses) on financial assets at Fair Value through Other Comprehensive Income ("FVOCI"):							
- Fair value changes		510	2,146	2,656	(2,478)	(4,764)	(7,242)
- Transferred to profit or loss upon disposal	6	(200)	(1,575)	(1,775)	(244)	(394)	(638)
Tax effects relating to components of other comprehensive income	19	(74)	(137)	(211)	653	1,238	1,891
Other comprehensive (income)/loss attributable to participants		-	(434)	(434)	-	3,920	3,920
Total comprehensive income for the year		40,317	-	40,317	30,793	-	30,793

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

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of financial position
As at 31 March 2023

		2023			2022		
Note	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	
Assets							
Equipment	16	825	-	825	397	-	397
Intangible assets	17	56,268	-	56,268	10,637	-	10,637
Right-of-use assets	18	7,964	-	7,964	3,430	-	3,430
Deferred tax assets	19	18,043	7,834	25,877	14,754	5,836	20,590
Financial and other assets	20	325,397	826,780	1,039,364	319,234	670,735	949,334
Retakaful certificate assets	22	-	314,224	314,224	-	259,972	259,972
Takaful certificate receivables	21	-	92,583	92,583	-	68,044	68,044
Cash and bank balances		3,732	47,196	50,928	3,376	7,167	10,543
Total assets		412,229	1,288,617	1,588,033	351,828	1,011,754	1,322,947
Liabilities							
Takaful certificate liabilities	22	-	828,323	828,323	-	672,298	672,298
Expense liabilities	23	61,318	-	61,318	51,391	-	51,391
Takaful certificate payables	24	-	81,473	81,473	-	59,657	59,657
Lease liabilities	18	8,202	-	8,202	3,511	-	3,511
Zakat payable		1,961	-	1,961	1,336	-	1,336
Tax payable		3,652	3,784	7,436	4,895	-	4,895
Other payables	25	40,140	197,916	125,243	16,056	109,219	84,640
Total liabilities		115,273	1,111,496	1,113,956	77,189	841,174	877,728
Participants' fund							
General takaful fund	28	-	177,121	177,121	-	170,580	170,580
Equity							
Share capital	26	230,000	-	230,000	230,000	-	230,000
Reserves	27	66,956	-	66,956	44,639	-	44,639
Total equity		296,956	-	296,956	274,639	-	274,639
Total liabilities, participants' funds and equity		412,229	1,288,617	1,588,033	351,828	1,011,754	1,322,947

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

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Takaful Ikhlas General Berhad
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Statement of changes in equity
For the year ended 31 March 2023

Shareholder's fund and Company	Note	Share capital RM '000	Non distributable fair value reserves RM '000	Distributable retained profits RM '000	Total RM '000
At 1 April 2021		230,000	234	34,612	264,846
Net profit for the year		-	-	32,862	32,862
Other comprehensive loss for the year		-	(2,069)	-	(2,069)
Total comprehensive (loss)/income for the year		-	(2,069)	32,862	30,793
Dividend paid	34	-	-	(21,000)	(21,000)
At 31 March 2022		230,000	(1,835)	46,474	274,639
At 1 April 2022		230,000	(1,835)	46,474	274,639
Net profit for the year		-	-	40,081	40,081
Other comprehensive income for the year		-	236	-	236
Total comprehensive income for the year		-	236	40,081	40,317
Dividend paid	34	-	-	(18,000)	(18,000)
At 31 March 2023		230,000	(1,599)	68,555	296,956

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

Takaful Ikhlas General 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		56,373	43,744
Adjustments for:			
Depreciation of equipment	10	221	96
Depreciation of right-of-use assets	10	2,211	1,813
Finance costs on lease liabilities	18	405	189
Amortisation of intangible assets	10	8,413	1,027
Gain from disposal of intangible asset	17	(69)	-
Net amortisation of premiums	5	1,693	1,416
Profit income	5	(30,452)	(23,950)
Dividend income	5	(1,603)	(1,986)
Fair value adjustments of financial assets at fair value through profit or loss ("FVTPL")	7	723	1,593
Impairment loss/(writeback of impairment) of financial assets at FVOCI	12	3	(102)
Realised loss/(gain) on disposal of investments	6	1,111	(3,686)
Writeback of impairment of takaful certificate receivables	12	(2,806)	(6,136)
Surplus transferred to general takaful fund	28	9,107	22,515
Operating cash flows before working capital changes		45,330	36,533
Changes in working capital:			
Proceeds/(purchases) of financial assets		128,215	(60,357)
Increase in deposit placements		(227,966)	(42,626)
Decrease/(increase) in staff financing		294	(382)
Increase in retakaful certificate assets		(54,252)	(59,659)
(Increase)/decrease in takaful certificate receivables		(21,733)	13,304
Increase in other receivables and deposits		(2,236)	(1,127)
Net change in balance with related companies		9,933	(4,064)
Increase in gross claims liabilities		89,262	100,326
Increase in gross contribution liabilities		66,763	22,739
Increase in expense liabilities		9,927	5,203
Increase in takaful certificate payables		21,816	10,308
Increase in zakat, tax and other payables		34,834	5,574
Operating cash flows after working capital changes		100,187	25,772

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

	2023	2022
	RM '000	RM '000
Cash flows from operating activities (cont'd.)		
Operating cash flows after working capital changes (cont'd.)	100,187	25,772
Profit income received	30,685	21,818
Finance cost paid on lease liabilities	18 (405)	(189)
Dividend income received	1,710	2,247
Surplus paid to participants	(1,610)	(6,210)
Income tax paid	(15,104)	(15,107)
Zakat paid	(403)	(436)
Net cash generated from operating activities	115,060	27,895
Cash flows from investing activities		
Purchase of equipment	16 (649)	(286)
Purchase of intangible assets	17 (55,957)	(3,891)
Proceed from disposal of intangible asset	17 1,982	-
Payment of principal portion of lease liabilities	18 (2,051)	(1,812)
Net cash used in investing activities	(56,675)	(5,989)
Cash flows from financing activity		
Dividend paid	34 (18,000)	(21,000)
Net cash used in financing activities	(18,000)	(21,000)
Net increase in cash and cash equivalents	40,385	906
Cash and cash equivalents at beginning of year	10,543	9,637
Cash and cash equivalents at end of year	50,928	10,543
Cash and cash equivalents comprise:		
Cash and bank balances of:		
Shareholder's fund	3,732	3,376
General takaful fund	47,196	7,167
	50,928	10,543

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

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2023

1. Corporate information

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 Company is principally engaged in the management of general takaful business.

The holding and ultimate holding company is MNRB Holdings Berhad, 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 end was 282 (2022: 266).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 June 2023.

2. Significant accounting policies

2.1 Basis of preparation

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

At the beginning of the current financial year, the Company had adopted the new MFRSs applicable for annual financial periods beginning on or after 1 January 2022 as described fully in Note 2.26.

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

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM '000) except when otherwise indicated.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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 general 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.

The financial position and financial performance information of the shareholder's fund and general takaful fund which are presented on pages 49 to 51 and page 52 of the financial statements have been provided as supplementary financial information and to comply with the requirements of BNM/RH/PD 033-5: Financial Reporting for Takaful Operators 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 general takaful fund. Accordingly, the financial position and financial performance information of the shareholder's fund and general takaful fund as referred to above reflect only the assets, liabilities, income, expenses and other comprehensive income or losses of the individual funds.

However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the general takaful fund are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

In preparing the Company-level financial statements, the balances and transactions of the shareholder's fund are consolidated with those of the general 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 general takaful fund are uniform for like transactions and events in similar circumstances.

The general takaful fund is 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.

2.2 Business combination under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.2 Business combination under common control (cont'd.)

- No adjustments are made to reflect the fair values at the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any differences between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

2.3 Business combination from third party

Business combinations involving entities not under common control are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition-date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each financial year end with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.3 Business combination from third party (cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.4 General takaful underwriting results

The general takaful underwriting results are determined after taking into account contributions, retakaful costs, movements in contribution liabilities, net claims incurred and wakalah fees.

The general takaful fund is maintained in accordance with the IFSA 2013 and consists of fair value reserves and any accumulated surplus. Any deficit will be made good by the shareholder's fund via a benevolent loan or Qard.

Surplus is distributable to the shareholder and participants in accordance with the terms and conditions prescribed by the Group Shariah Committee. Surplus distributable to participants and the shareholder's fund is determined after other operating expenses and adjustments such as impairment of takaful certificate receivables are deducted from the underwriting surplus.

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

(i) Contribution recognition

Direct and facultative inwards contributions are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. Contributions are recognised in a financial year in respect of risks assumed during that particular financial year.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.4 General takaful underwriting results (cont'd.)

(ii) Contribution liabilities

Contribution liabilities represent the fund's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and recognised as earned contribution.

Contribution liabilities are reported as the higher of the aggregate of the Unearned Contribution Reserves ("UCR") for all lines of business and the overall Company best estimate value of the Unexpired Risk Reserves ("URR") together with a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at 75% confidence level, at the end of the financial year end.

(a) Unearned Contribution Reserves ("UCR")

The UCR represent the portion of net contribution income of takaful certificates written that relates to the unexpired periods of certificates at the end of the financial year end. In determining the UCR at the end of the financial year end, the method that most accurately reflects the actual unearned contribution is used as follows:

- Time apportionment method for all classes of general takaful business within Malaysia except Long Term Fire, Mortgage Reducing Personal Accident, Marine and Aviation cargo;
- Geometric method for Long Term Fire and Mortgage Reducing Personal Accident; and
- 25% method for Marine and Aviation cargo.

(b) Unexpired Risk Reserves ("URR")

URR is a prospective estimate of the expected future payments arising from future events expected to be incurred as at the end of the financial year end. This includes allowance for expenses including costs of retakaful, expected to be incurred in administering these certificates during the unexpired period and settling the relevant claims and expected refund of future contributions.

URR is estimated via an actuarial valuation performed by a qualified actuary.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.4 General takaful underwriting results (cont'd.)

(iii) Claim liabilities

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and the Company is notified. The amount of outstanding claims at the end of the financial year end is the best estimate of the claims and the claim related expenses less salvage and recoveries to settle the obligation.

Claim liabilities are valued at best estimate which include a provision for claims reported, claims incurred but not enough reserved ("IBNER") and claims incurred but not yet reported ("IBNR") together with claims related expenses and reductions for salvage and other recoveries. The PRAD is calculated in order to secure a 75% confidence level sufficiency at the fund level.

The liabilities valuation is estimated by a appointed actuary at the financial year end using a mathematical method of estimation based on, amongst others, actual claim development patterns. The valuation of claim liabilities is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the certificates are expired, are discharged or are cancelled.

(iv) Liability adequacy test

At each financial year end, the Company reviews all general takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, all contractual cash flows are compared against the carrying value of general takaful certificate liabilities. Any deficiency is recognised in the profit or loss.

The estimation of claim and contribution liabilities performed at the financial year end is part of the liability adequacy tests performed by the Company.

(v) Commission earned

Commissions as recognised in the profit or loss of the general takaful fund refers to commissions earned from retakaful operators in the course of accepting retakaful risks and contributions. Commission income are incurred and properly allocated to the relevant periods. This is in accordance with the principle of Wakalah as approved by the Group Shariah Committee and as agreed between the Company and the retakaful operator.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.5 Shareholder's fund

(i) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Commission expenses are recognised in the 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.

(ii) Expense liabilities

The expense liabilities of shareholder's fund consist of expense liabilities relating to the management of the general takaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the takaful certificates and recognised in the profit or loss.

The expense liabilities are reported as the higher of the aggregate of the provision for Unearned Wakalah Fees ("UWF") for all lines of business and the best estimate value of Unexpired Expense Reserves ("UER") as at the end of the financial year end including a PRAD calculated at the 75% confidence level at the fund level.

Unearned Wakalah Fees ("UWF")

The UWF represent the portion of wakalah fee income allocated for management expenses of general takaful certificates that relate to the unexpired periods of certificates at the end of the financial year end. The method used in computing UWF for long term certificates are consistent with the method used to reflect the actual UCR as detailed in Note 2.4(ii)(a). For short term certificates, in determining the UWF at the end of the financial year end, a percentage of the UWF is recognised in the financial year in which the certificates are issued. The remaining percentage of the UWF is transferred to the UWF reserves and is recognised in the following financial year. The percentage is derived from the apportionment of the acquisition expenses over the total management expenses.

**Takaful Ikhlas General Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

2.5 Shareholder's fund (cont'd.)

(ii) Expense liabilities of general takaful fund (cont'd.)

Unexpired Expense Reserves ("UER")

The UER is determined based on the expected future expenses payable from the shareholder's fund in managing the general takaful fund for the full contractual obligation of unexpired takaful certificates as at the end of the financial year end. The expected future expenses are determined for certificate management expenses and claims handling expenses, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used to value the URR.

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 takaful certificates still in force as at the financial year end.

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 the 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 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.6 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.

2.7 Retakaful

The Company, as the operator of the participants' fund, cedes underwriting risk in the normal course of business for its takaful business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions and claims 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 end. 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 or loss.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.7 Retakaful (cont'd.)

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. Investment income on these contracts are accounted for using the effective yield method when accrued.

2.8 Equipment and depreciation

(i) Recognition and measurement

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

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 is reclassified to the relevant category of equipment and depreciation of the asset begins.

(ii) Subsequent costs

The costs of replacing part of an item of equipment are 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 equipment are recognised in the profit or loss as incurred.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.8 Equipment and depreciation (cont'd.)

(iii) Depreciation

Depreciation of 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 rate:

	2023	2022
Computer equipment	10% - 33.3%	33.30%
Motor vehicles	20%	20%
Furniture, fittings and office equipment	10%	15%

The residual values, useful lives and depreciation method are reviewed at each financial year-end 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 equipment.

(iv) Derecognition

An item of 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 profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

2.9 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 recognition, intangible assets are stated at cost less any accumulated amortisation and 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 the 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. Intangible assets are assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Amortisation is charged to the profit or loss.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.9 Intangible assets (cont'd.)

Intangible assets with indefinite useful lives are not amortised but are 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 represents 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 when the assets are not yet available for use, they are 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 ten (10) 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 fees

The preferred partnership fees represent the upfront fees paid by the Company to the financial institutions under a 5-year 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 financial institutions.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets

Recognition and measurement

The classification of financial assets at initial recognition depends on the Company's business model for managing them and the financial asset's contractual cash flow characteristics, as described in Notes 2.10(e) and 2.10(f) respectively. 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 subsequently 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 an 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 foregoing, 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.

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

- Financial assets at AC;
- Financial assets at FVOCI with recycling of cumulative gains and losses;
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition; or
- Financial assets at FVTPL.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

(a) Financial assets at AC

Sukuk that meet the following conditions are measured subsequently 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 interest 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 the statement of comprehensive income when the asset is derecognised, modified or impaired.

The effective profit method is a method of calculating the amortised cost of a sukuk 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 sukuk, or, where appropriate, a shorter period, to the gross carrying amount of the sukuk 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 sukuk on initial recognition.

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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

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

Profit income is recognised using the effective profit method for sukuk 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, interest 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 Islamic accounts with licensed banks, secured staff financing and other receivables.

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

Sukuk that meet the following conditions are measured subsequently 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 sukuk at FVOCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at AC. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

(b) Financial assets at FVOCI with recycling of cumulative gains and losses (cont'd.)

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

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

Upon initial recognition, the Company can irrevocably elect to classify its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are 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 has 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 profit or loss. Dividends are recognised as investment income in the profit or loss when the right of 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 fair value through OCI are not subject to impairment assessment.

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

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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

(d) 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.
- Sukuk that fails the SPPI test are classified as at FVTPL. In addition, sukuk 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.

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 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.

The Company has no derivative instruments. The Company's financial assets at FVTPL include quoted equities and real estate investment trusts.

(e) 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

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

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 fair value of the assets managed 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

(e) 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 model are not expected to be frequent but should such event take place, it must be:

- Determined by the Company's senior 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 business model must be implemented before the reclassification date.

(f) 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 accretion/amortisation 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.

(g) 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

(h) 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 asset and settle the liability simultaneously.

Derecognition

A financial asset is primarily derecognised when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Company has transferred its rights 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 transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.11 Fair value measurement

The Company measures financial instruments such as financial assets at FVTPL at fair value at each financial year end. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 20(c).

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 to 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.

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2. Significant accounting policies (cont'd.)

2.11 Fair value measurement (cont'd.)

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 of financial instruments and non-financial assets are disclosed in Note 39(v).

2.12 Impairment of assets

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit or loss. 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:

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

The ECL model also applies to irrevocable loan commitments and financial guarantee contracts, which will include advances, financing, takaful receivables and contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

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

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.12 Impairment of assets (cont'd.)

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 for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement.

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 interest 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, GDP, inflation, currency rate, base lending rate and stock index.

(i) Sukuk at AC and FVOCI

In accordance with 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 an SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

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2. Significant accounting policies (cont'd.)

2.12 Impairment of assets (cont'd.)

(i) Sukuk at AC and FVOCI (cont'd.)

The ECLs for sukuk 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 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 certificates 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 certificates 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 is to be 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 certificates receivables are considered to be in default when contractual payments are past due for more than 12 months.

(iii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists or when an annual impairment for an asset is required, 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").

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.12 Impairment of assets (cont'd.)

(iii) Non-financial assets (cont'd.)

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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the 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 asset's 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. Reversal 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 profit or loss.

2.13 Measurement and impairment of Qard

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

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.13 Measurement and impairment of Qard (cont'd.)

The Qard shall be repaid from future surpluses of the affected general 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 general takaful fund 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 the profit or loss.

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

2.14 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 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.

2.15 Cash and cash equivalents

Cash and cash equivalents 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.

2.16 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.

**Takaful Ikhlas General Berhad
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2. Significant accounting policies (cont'd.)

2.16 Takaful certificate receivables (cont'd.)

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 2.12(ii).

Takaful certificate receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.10 Derecognition, have been met.

2.17 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.

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.

The ROU assets will be adjusted when there is a revision in the lease payments that is resulted from the remeasurement of the lease liability. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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2. Significant accounting policies (cont'd.)

2.17 Leases (cont'd.)

The Company as lessee (cont'd.)

(a) Right-of-use assets (cont'd.)

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 also subject to impairment as disclosed under Note 2.12(iii).

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 (including in substance fixed 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 rates ("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.

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2. Significant accounting policies (cont'd.)

2.17 Leases (cont'd.)

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.

2.18 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 are recognised in the statement of financial position when, and only when, the Company and/or the general takaful fund 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 the profit or loss. Net gains or losses on derivatives include exchange differences.

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

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2. Significant accounting policies (cont'd.)

2.18 Financial liabilities (cont'd.)

(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/yield method.

For other financial liabilities, gains and losses are recognised in the 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 the profit or loss.

2.19 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.

2.20 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 financial year end.

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2. Significant accounting policies (cont'd.)

2.20 Income tax (cont'd.)

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year end 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 computed 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 financial year end. Deferred tax is recognised in the 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.

2.21 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 length of service and earnings. Such contributions are recognised as an expense in the profit or loss as incurred.

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2. Significant accounting policies (cont'd.)

2.22 Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) 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.

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

2.23 Other revenue recognition

(i) Profit and investment income

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

(ii) Dividend income

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

(iii) Wakalah fees

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

(iv) Management income in relation to business transfer

Revenue is recognised when control of the goods or the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

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2. Significant accounting policies (cont'd.)

2.24 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 quantum above the obligatory amount payable.

2.25 Balances with related companies

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

2.26 Changes in accounting policies

At the beginning of the current financial year, the Company adopted the following Amendments to MFRSs 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.

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective

The Standards, Amendments to Standards and Annual Improvements 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 <i>Presentation of Financial Statements Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements Disclosure of Accounting Policies</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes Deferred Tax related to Assets and Liabilities arising from Single Transaction</i>	1 January 2023
Amendments to MFRS 16 <i>Leases Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Presentation of Financial Statements Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 10 <i>Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures</i>	To be announced by MASB

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective (cont'd.)

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 ("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 policyholder/participant) by agreeing to compensate the policyholder/participant if a specified uncertain future event adversely affects the policyholder/participant;
- Separate 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;

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective (cont'd.)

MFRS 17 *Insurance Contracts* ("MFRS 17") (cont'd.)

(i) Changes to classification and measurement (cont'd.)

- 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");
- 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 group 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.

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective (cont'd.)

MFRS 17 *Insurance Contracts* ("MFRS 17") (cont'd.)

(i) Changes to classification and measurement (cont'd.)

- 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.

The Company will be applying GMM and PAA model 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.

The presentation of the statement of 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 profit or loss.

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective (cont'd.)

MFRS 17 *Insurance Contracts* ("MFRS 17") (cont'd.)

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

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

- Takaful revenue;
- Takaful service expenses;
- Finance/profit income or expenses; and
- Income or expenses from retakaful 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;

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2. Significant accounting policies (cont'd.)

2.27 Standards, Amendments to Standards and Annual Improvements that are issued but not yet effective (cont'd.)

MFRS 17 *Insurance Contracts* ("MFRS 17") (cont'd.)

(iii) Transition (cont'd.)

- Derecognised any existing balances that would not exist had MFRS 17 always applied; and
- Recognised any resulting net difference in equity.

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, an entity can choose between a Modified Retrospective Approach ("MRA") or a Fair Value Approach ("FVA").

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.

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 end. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) 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 judgement, which have the most significant effect on the amounts recognised in the financial statements are discussed below:

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

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

**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 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.

Incremental borrowing rates

The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the profit rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs such as market profit rates when available and is required to make certain entity-specific estimates.

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

(b) 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 general takaful certificate liabilities (Note 22)

The principal uncertainty in the general takaful certificate liabilities arises from the technical provisions which include the contribution liabilities and claim liabilities.

The estimation bases for contribution liabilities relating to general takaful certificate liabilities are explained in Note 2.4(ii).

Generally, claim liabilities are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant certificates and current underwriting and claims management practices. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that final claim amount may vary from current reserve provisions. The uncertainty is also inherent in the projected contribution liabilities as it is correlated to the projected claim liabilities.

The estimates of contribution liabilities and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of contribution and claim liabilities may vary from the initial estimates. At each financial year end, the estimates are re-assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the appointed actuary is approved by BNM.

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

(b) Key sources of estimation uncertainty (cont'd.)

(i) Uncertainty in accounting estimates for general takaful certificate liabilities (Note 22) (cont'd.)

There may be reporting lag between the occurrence of an insured event and the time it is actually recorded. For these cases, the IBNR reserves are estimated. Even for liabilities which have been recorded, there are potential uncertainties as to the magnitude of the final claims compared to initial reserve provisions. For these cases, IBNER reserve provision are estimated. There are various factors affecting the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures. The sensitivity of claim liabilities of the general takaful fund to changes in assumptions, and implicitly, contribution liabilities, are detailed in Note 36(e).

(ii) Uncertainty in accounting estimates for shareholder's fund expense liabilities (Note 23)

The principal uncertainty in the shareholder's fund takaful certificate liabilities arises from the technical provisions which includes the expense liabilities of general takaful fund as explained in Note 2.5(ii).

The estimation bases for unearned wakalah fees and the unexpired expense reserve in relation to general takaful certificate business is explained in Note 2.5(ii).

The best estimate for unexpired expense reserves ("UER") for general takaful business is estimated based on a run-off basis. It is derived from the estimation for expected certificate management expenses required to maintain existing certificates and the costs of claims handling expenses to administer and settle open claim files. The UER includes a PRAD computed at 75% confidence level, calculated at the overall Company level as required by the Guidelines on Valuation Basis for Liabilities of General Takaful Business.

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4. Net earned contributions

	2023	2022
General takaful fund and Company	RM '000	RM '000
(a) Gross earned contributions		
Gross contributions	706,932	516,129
Increase in contribution liabilities	(66,763)	(22,737)
	<u>640,169</u>	<u>493,392</u>
(b) Earned contributions ceded to retakaful		
Contributions ceded to retakaful	(260,013)	(196,614)
Increase in contribution liabilities	26,862	10,560
	<u>(233,151)</u>	<u>(186,054)</u>
Net earned contributions	<u>407,018</u>	<u>307,338</u>

5. Investment income

	Shareholder's fund	General takaful fund	Company
	RM '000	RM '000	RM '000
2023			
Financial assets at FVTPL:			
- Dividend income from:			
Quoted Shariah approved equities in Malaysia	310	1,022	1,332
Real estate investment trusts	23	46	69
Unit trusts in Malaysia	-	202	202
Financial assets at FVOCI:			
Profit income	6,475	12,391	18,866
Financial assets at amortised cost:			
Profit income	1,416	10,170	11,586
Net amortisation of premiums	(813)	(880)	(1,693)
Investment expenses	-	(65)	(65)
	<u>7,411</u>	<u>22,886</u>	<u>30,297</u>

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5. Investment income (cont'd.)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2022			
Financial assets at FVTPL:			
- Dividend income from:			
Quoted Shariah approved equities in Malaysia	351	1,385	1,736
Real estate investment trusts	46	45	91
Unit trusts in Malaysia	-	159	159
Financial assets at FVOCI:			
Profit income	5,852	11,485	17,337
Financial assets at amortised cost:			
Profit income	2,103	4,510	6,613
Net amortisation of premiums	(684)	(732)	(1,416)
Investment expenses	-	(58)	(58)
	<u>7,668</u>	<u>16,794</u>	<u>24,462</u>

6. Realised (losses)/gains

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
Financial assets at FVTPL:			
Quoted Shariah approved equities in Malaysia	(747)	(2,056)	(2,803)
Real estate investment trusts	(83)	-	(83)
	<u>(830)</u>	<u>(2,056)</u>	<u>(2,886)</u>
Financial assets at FVOCI:			
Government investment issues	145	1,575	1,720
Unquoted sukuk	55	-	55
	<u>200</u>	<u>1,575</u>	<u>1,775</u>
	<u>(630)</u>	<u>(481)</u>	<u>(1,111)</u>

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6. Realised (losses)/gains (cont'd.)

2022	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Financial assets at FVTPL:			
Quoted Shariah approved equities in Malaysia	582	2,466	3,048
Financial assets at FVOCI:			
Government investment issues	243	394	637
Unquoted sukuk	1	-	1
	<u>244</u>	<u>394</u>	<u>638</u>
	<u>826</u>	<u>2,860</u>	<u>3,686</u>

7. Fair value gains/(losses)

2023	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Financial assets at FVTPL	418	(1,141)	(723)
2022			
Financial assets at FVTPL	(508)	(1,085)	(1,593)

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8. Fee and commission income

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
Wakalah fee income from general takaful fund	265,313	-	-
Surplus administration charges earned from general takaful fund	3,000	-	-
Retakaful commission income	-	56,545	56,545
	<u>268,313</u>	<u>56,545</u>	<u>56,545</u>
2022			
Wakalah fee income from general takaful fund	187,153	-	-
Surplus administration charges earned from general takaful fund	8,000	-	-
Retakaful commission income	-	42,513	42,513
	<u>195,153</u>	<u>42,513</u>	<u>42,513</u>

9. Fee and commission expenses

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
Wakalah fee expenses	-	(265,313)	-
Surplus administration charges payable	-	(3,000)	-
Commissions paid to agents	(85,176)	-	(85,176)
	<u>(85,176)</u>	<u>(268,313)</u>	<u>(85,176)</u>
2022			
Wakalah fee expenses	-	(187,153)	-
Surplus administration charges payable	-	(8,000)	-
Commissions paid to agents	(61,900)	-	(61,900)
	<u>(61,900)</u>	<u>(195,153)</u>	<u>(61,900)</u>

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10. Management expenses

Shareholder's fund and Company

	2023	2022
	RM '000	RM '000
Staff costs:		
Salaries, bonus, and other related costs	26,873	23,968
President & CEO, Directors and GSC members' remuneration (Note 11)	1,577	1,957
Pension costs - Employees Provident Fund ("EPF")	4,420	3,845
Social security costs	511	276
Short-term accumulating compensated absences	115	184
Other staff expenses	4,316	3,258
	<u>37,812</u>	<u>33,488</u>
Auditors' remuneration		
- audit fees	363	298
- other assurance services	529	492
- regulatory related fees	22	20
- other services	26	78
Expenses relating to leases (Note 18(c))	478	625
Amortisation of intangible assets (Note 17)	8,413	1,027
Depreciation of equipment (Note 16)	221	96
Depreciation of right-of-use assets (Note 18(a))	2,211	1,813
Management fees paid to holding and related companies	18,524	13,045
Professional and legal fees	5,196	3,950
Marketing and promotional costs	35,047	24,846
Electronic data processing costs	7,916	6,729
Other expenses	8,899	5,859
	<u>125,657</u>	<u>92,366</u>

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

Shareholder's fund and Company		2023	2022
		RM '000	RM '000
(a) President & CEO's remuneration:			
Salary and bonus		618	719
Pension costs - EPF		105	112
Benefits-in-kind		9	24
Others		24	111
		<u>756</u>	<u>966</u>
Total President & CEO's remuneration excluding benefits-in-kind	A	<u>747</u>	<u>942</u>
(b) Executive Directors' remuneration:			
Fees		-	-
Allowances and other emoluments		-	-
	B	<u>-</u>	<u>-</u>
(c) Non-executive Directors' remuneration:			
Fees		583	726
Allowances and other emoluments		172	210
	B	<u>755</u>	<u>936</u>
(d) GSC members' remuneration:			
Fees		60	59
Allowances and other emoluments		15	20
	C	<u>75</u>	<u>79</u>
Total remuneration of President & CEO, Directors and GSC members excluding benefits-in-kind (Note 10)	A+B+C	<u>1,577</u>	<u>1,957</u>

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as below:

	Number of Directors 2023	Number of Directors 2022
Executive Directors:		
Up to RM50,000	1	1
Non-executive Directors:		
RM50,001 to RM100,000	-	4
RM100,001 to RM150,000	5	5
RM150,001 to RM200,000	1	-

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

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Others RM'000	Total** RM'000
2023					
President & CEO:					
Dato' Rodzlia @ Rudy Che Lamin	618	-	105	24	747
Executive Directors:					
Zaharudin Daud*	-	-	-	-	-
Non-executive Directors:					
Datuk Johar Che Mat	-	97	-	23	120
Rosinah Mohd Salleh	-	87	-	23	110
Arul Sothy Mylvaganam	-	92	-	26	118
Woon Tai Hai	-	87	-	23	110
Dato' Amirudin Abdul Halim	-	99	-	30	129
Dr. Wan Zamri Wan Ismail	-	121	-	47	168
	-	583	-	172	755
Total Directors' remuneration	-	583	-	172	755

* The Executive Director, Zaharudin Daud is not entitled to Directors remuneration in financial year ended 31 March 2023.

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

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Others RM'000	Total** RM'000
2023 (cont'd.)					
GSC members:					
Dr. Shamsiah Mohamad	-	11	-	3	14
Shahrir bin 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
Prof. Dr. Younes Soualhi (Appointed with effect from 3 November 2022)	-	5	-	1	6
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
	<u>-</u>	<u>60</u>	<u>-</u>	<u>15</u>	<u>75</u>
Total remuneration of President & CEO, Directors and GSC members	<u>618</u>	<u>643</u>	<u>105</u>	<u>211</u>	<u>1,577</u>

** Total excluding benefits-in-kind

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

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Others RM'000	Total* RM'000
2022					
President & CEO:					
Dato' Rodzlia @ Rudy Che Lamin (Appointed with effect from 30 November 2021)	225	-	38	16	279
Eddy Azly Abidin (Resigned with effect from 30 November 2021)	494	-	74	95	663
	<u>719</u>	<u>-</u>	<u>112</u>	<u>111</u>	<u>942</u>
Executive Director:					
Zaharudin Daud*	-	-	-	-	-
Non-executive Directors:					
Datuk Johar Che Mat	-	115	-	33	148
Arul Sothy Mylvaganam	-	105	-	29	134
Dato' Amirudin Abdul Halim	-	103	-	30	133
Rosinah Mohd Salleh	-	100	-	30	130
Woon Tai Hai	-	100	-	27	127
Dr. Wan Zamri Wan Ismail (Appointed with effect from 1 October 2021)	-	54	-	17	71
Datuk Nik Moustpha Nik Hassan (Retired with effect from 23 September 2021)	-	47	-	15	62
George Oommen (Resigned with effect from 1 October 2021)	-	52	-	14	66
Hijah Arifakh Othman (Resigned with effect from 1 October 2021)	-	50	-	15	65
	<u>-</u>	<u>726</u>	<u>-</u>	<u>210</u>	<u>936</u>
Total Directors' remuneration	<u>-</u>	<u>726</u>	<u>-</u>	<u>210</u>	<u>936</u>

* The Executive Director, Zaharudin Daud is not entitled to Directors remuneration in financial year ended 31 March 2022.

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

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Others RM'000	Total* RM'000
2022 (cont'd.)					
GSC members:					
Dr. Shamsiah Mohamad	-	11	-	4	15
Sahibus Samahah Datuk Dr. Luqman Haji Abdullah	-	11	-	3	14
Shahrir bin Sofian	-	11	-	4	15
Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'Im Haji Mokhtar (Appointed with effect from 1 October 2021)	-	11	-	4	15
Dr. Said Bouheraoua (Appointed with effect from 1 November 2021)	-	12	-	4	16
Prof. Dato' Dr. Haji Ahmad Hidayat Buang (Resigned with effect from 13 July 2021)	-	3	-	1	4
	<u>-</u>	<u>59</u>	<u>-</u>	<u>20</u>	<u>79</u>
Total remuneration of President & CEO, Directors and GSC members	<u>719</u>	<u>785</u>	<u>112</u>	<u>341</u>	<u>1,957</u>

** Total excluding benefits-in-kind

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12. Other operating income/(expenses), net

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
Miscellaneous income	1,781	3,482	5,263
Management income in relation to business transfer	244	-	244
Writeback/(provision) on allowance for impairment losses on:			
Takaful certificate receivables	-	2,806	2,806
Other receivables	-	(7)	(7)
Recovery/(allowance) on impairment for financial assets at FVOCI	1	(4)	(3)
	<u>2,026</u>	<u>6,277</u>	<u>8,303</u>
2022			
Miscellaneous income	103	915	1,018
Management income in relation to business transfer	123	-	123
Writeback on allowance for impairment losses on:			
Takaful certificate receivables	-	6,136	6,136
Other receivables	-	541	541
Recovery on impairment for financial assets at FVOCI	36	66	102
	<u>262</u>	<u>7,658</u>	<u>7,920</u>

13. Change in expense liabilities

	2023 RM '000	2022 RM '000
Shareholder's fund and Company		
Increase in unearned wakalah fees reserve	<u>9,927</u>	<u>5,203</u>

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14. Tax borne by participants

General takaful fund and Company	2023 RM '000	2022 RM '000
Current income tax:		
Current year's provision	2,441	4,713
Under/(over) provision of tax expense in prior years	1,331	(1,985)
	<u>3,772</u>	<u>2,728</u>
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	(4,347)	3,945
Under/(over) provision of deferred tax in prior year	2,212	(1,299)
	<u>(2,135)</u>	<u>2,646</u>
Tax borne by participants	<u>1,637</u>	<u>5,374</u>

Domestic income tax for general takaful fund is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable surplus for the year.

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

General takaful fund and Company	2023 RM '000	2022 RM '000
Surplus before taxation of the general takaful fund	<u>10,744</u>	<u>27,889</u>
Taxation at Malaysian statutory tax rate	2,579	6,693
Hibah deducted for tax purposes	(136)	(126)
Expenses not deductible for tax purposes	989	6
Income not subject to tax	(245)	(381)
Utilisation of capital allowances allocated from the shareholder's fund	(669)	(132)
(Under)/over provision of deferred tax income in prior year	(2,212)	1,299
Under/(over) provision of tax expense in prior years	1,331	(1,985)
Tax borne by participants	<u>1,637</u>	<u>5,374</u>

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15. Taxation

Shareholder's fund and Company	Shareholder's fund RM '000	Company RM '000
2023		
Current income tax:		
Current year's provision	19,006	21,447
(Over)/underprovision of tax expense in prior years	<u>(379)</u>	<u>952</u>
	18,627	22,399
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	(2,996)	(5,131)
Overprovision of deferred tax in prior year	(367)	(367)
Tax borne by participants (Note 14)	-	<u>(1,637)</u>
Tax expense for the year	<u>15,264</u>	<u>15,264</u>
2022		
Current income tax:		
Current year's provision	12,375	17,088
Overprovision of tax expense in prior year	<u>(874)</u>	<u>(2,859)</u>
	11,501	14,229
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	(1,125)	1,521
Overprovision of deferred tax in prior year	(337)	(337)
Tax borne by participants (Note 14)	-	<u>(5,374)</u>
Tax expense for the year	<u>10,039</u>	<u>10,039</u>

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.

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 and Company	2023 RM '000	2022 RM '000
Profit before taxation	<u>56,373</u>	<u>43,744</u>
Taxation at Malaysian statutory tax rate	13,530	10,498
Expenses not deductible for tax purposes	2,652	922
Income not subject to tax	(172)	(170)
Under/(Over) provision of deferred tax income in prior year	(367)	(337)
Overprovision of tax expense in prior years	<u>(379)</u>	<u>(874)</u>
Tax expense for the year	<u>15,264</u>	<u>10,039</u>

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16. Equipment**Shareholder's fund and Company**

	Computer equipment RM '000	Furniture, fittings and office equipment RM '000	Motor vehicles RM '000	Total RM '000
Cost				
At 1 April 2021	34	55	228	317
Additions during the year	260	26	-	286
At 31 March 2022	294	81	228	603
Additions during the year	300	13	336	649
At 31 March 2023	594	94	564	1,252
Accumulated depreciation				
At 1 April 2021	14	12	84	110
Charge for the year	41	9	46	96
At 31 March 2022	55	21	130	206
Charge for the year	123	8	90	221
At 31 March 2023	178	29	220	427
Net Book Value				
At 31 March 2023	416	65	344	825
At 31 March 2022	239	60	98	397

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17. Intangible assets

Shareholder's fund and Company

Cost	Software development in progress RM '000	Computer software and licences RM '000	Preferred partnership fee RM '000	Total RM '000
At 1 April 2021	3,569	1,020	4,100	8,689
Additions during the year	3,287	604	-	3,891
At 31 March 2022	6,856	1,624	4,100	12,580
Additions during the year	218	3,739	52,000	55,957
Disposal	-	-	(4,100)	(4,100)
At 31 March 2023	7,074	5,363	52,000	64,437
Accumulated Amortisation				
At 1 April 2021	-	233	683	916
Charge for the year	-	207	820	1,027
At 31 March 2022	-	440	1,503	1,943
Charge for the year	-	478	7,935	8,413
Disposal	-	-	(2,187)	(2,187)
At 31 March 2023	-	918	7,251	8,169
Net Carrying Amount				
At 31 March 2023	7,074	4,445	44,749	56,268
At 31 March 2022	6,856	1,184	2,597	10,637

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18. Leases

Company as a lessee

The Company has lease contracts for head office and branches used in its operations, with lease terms between 2 to 6 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.

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

Set out below are the carrying amounts of ROU assets recognised and the movements during the period:

Shareholder's fund and Company	Office buildings RM '000
Cost	
At 1 April 2021	8,047
Additions during the year	3,393
Lease derecognised during the year	(6,767)
At 31 March 2022	<u>4,673</u>
Lease modification	424
Additions during the year	6,294
Lease derecognised during the year	(420)
At 31 March 2023	<u>10,971</u>
Accumulated Depreciation	
At 1 April 2021	5,488
Charge for the year (Note 10)	1,813
Lease derecognised during the year	(6,058)
At 31 March 2022	<u>1,243</u>
Lease modification	(27)
Charge for the year (Note 10)	2,211
Lease derecognised during the year	(420)
At 31 March 2023	<u>3,007</u>
Net Carrying Amount	
At 31 March 2023	<u>7,964</u>
At 31 March 2022	<u>3,430</u>

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18. Leases (cont'd.)Company as a lessee (cont'd.)**(b) Lease liabilities:**

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

	RM '000
Shareholder's fund and Company	
At 1 April 2021	2,685
Additions	3,393
Lease derecognised during the year	(755)
Accretion of profit*	189
Payments	(2,001)
At 31 March 2022	<u>3,511</u>
Lease modification	448
Additions	6,294
Accretion of profit*	405
Payments	(2,456)
At 31 March 2023	<u>8,202</u>

* The Company used a weighted average incremental borrowing rate at 4.52% (2022: 4.43%).

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18. Leases (cont'd.)Company as a lessee (cont'd.)**(c) Amount recognised in the statements of comprehensive income**

	2023	2022
Shareholder's fund and Company	RM '000	RM '000
Depreciation expense of ROU assets (Note 10)	2,211	1,813
Finance cost on lease liabilities	405	189
Expense relating to short-term leases	191	425
Expense relating to leases of low-value assets	287	200
Expenses relating to leases (Note 10)	478	625
Total amount recognised in profit or loss	3,094	2,627

(d) Cash and non-cash outflow for leases

	2023	2022
Shareholder's fund and Company	RM '000	RM '000
Payment of lease liabilities	(2,456)	(2,001)
Non-cash additions to ROU assets	6,294	3,393
	3,838	1,392

(e) Extension option

The leases of the Company's offices premises contain extension options exercisable by the Company and not the lessors. At the commencement of a lease, the Company assesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Most of the extension options in the offices have been included in the lease liability when the Company is reasonably certain that the lease will be extended based on past practice and the existing economic incentive.

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19. Deferred tax assets/(liabilities)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
At 1 April 2022	14,754	5,836	20,590
Recognised in:			
Other comprehensive income	(74)	(137)	(211)
Profit or loss (Notes 14 and 15)	3,363	2,135	5,498
At 31 March 2023	<u>18,043</u>	<u>7,834</u>	<u>25,877</u>
2022			
At 1 April 2021	12,639	7,244	19,883
Recognised in:			
Other comprehensive income	653	1,238	1,891
Profit or loss (Notes 14 and 15)	1,462	(2,646)	(1,184)
At 31 March 2022	<u>14,754</u>	<u>5,836</u>	<u>20,590</u>

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 fiscal 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	General takaful fund RM '000	Company RM '000
2023			
Deferred tax assets	18,377	8,068	26,445
Deferred tax liabilities	(334)	(234)	(568)
	<u>18,043</u>	<u>7,834</u>	<u>25,877</u>
2022			
Deferred tax assets	15,197	6,149	21,346
Deferred tax liabilities	(443)	(313)	(756)
	<u>14,754</u>	<u>5,836</u>	<u>20,590</u>

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19. Deferred tax assets (cont'd.)

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

Shareholder's fund	Accelerated							Total
	Financial Assets	Capital Allowance	Expense Liabilities	Contribution Liabilities	Lease	Payables	Receivables	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
2023								
At 1 April 2022	1,239	(7)	12,335	-	-	1,187	-	14,754
Recognised in fair value reserves	(74)	-	-	-	-	-	-	(74)
Recognised in statement of comprehensive income (Note 15)	(13)	(328)	2,382	-	77	1,245	-	3,363
At 31 March 2023	1,152	(335)	14,717	-	77	2,432	-	18,043
2022								
At 1 April 2021	362	-	11,086	-	55	1,136	-	12,639
Recognised in fair value reserves	653	-	-	-	-	-	-	653
Recognised in statement of comprehensive income (Note 15)	224	(7)	1,249	-	(55)	51	-	1,462
At 31 March 2022	1,239	(7)	12,335	-	-	1,187	-	14,754
General takaful fund								
2023								
At 1 April 2022	2,383	(279)	-	12	-	1,873	1,847	5,836
Recognised in fair value reserves	(137)	-	-	-	-	-	-	(137)
Recognised in statement of comprehensive income (Note 14)	326	45	-	51	-	1,919	(206)	2,135
At 31 March 2023	2,572	(234)	-	63	-	3,792	1,641	7,834

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19. Deferred tax assets (cont'd.)

General takaful fund (cont'd.)	Financial Assets RM '000	Accelerated Capital Allowance RM '000	Expense Liabilities RM '000	Contribution Liabilities RM '000	Lease RM '000	Payables RM '000	Receivables RM '000	Total RM '000
2022								
At 1 April 2021	751	-	-	(1)	-	2,892	3,602	7,244
Recognised in fair value reserves	1,238	-	-	-	-	-	-	1,238
Recognised in statement of comprehensive income (Note 14)	394	(279)	-	13	-	(1,019)	(1,755)	(2,646)
At 31 March 2022	<u>2,383</u>	<u>(279)</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>1,873</u>	<u>1,847</u>	<u>5,836</u>
Company								
2023								
At 1 April 2022	3,622	(286)	12,335	12	-	3,060	1,847	20,590
Recognised in fair value reserves	(211)	-	-	-	-	-	-	(211)
Recognised in statements of comprehensive income (Note 15)	313	(283)	2,382	51	77	3,164	(206)	5,498
At 31 March 2023	<u>3,724</u>	<u>(569)</u>	<u>14,717</u>	<u>63</u>	<u>77</u>	<u>6,224</u>	<u>1,641</u>	<u>25,877</u>
2022								
At 1 April 2021	1,113	-	11,086	(1)	55	4,028	3,602	19,883
Recognised in fair value reserves	1,891	-	-	-	-	-	-	1,891
Recognised in statements of comprehensive income (Note 15)	618	(286)	1,249	13	(55)	(968)	(1,755)	(1,184)
At 31 March 2022	<u>3,622</u>	<u>(286)</u>	<u>12,335</u>	<u>12</u>	<u>-</u>	<u>3,060</u>	<u>1,847</u>	<u>20,590</u>

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20. 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:

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Unquoted sukuks	46,519	146,700	193,219	104,763	181,761	286,524
Government investment issues	70,319	130,150	200,469	80,863	135,879	216,742
Quoted Shariah approved equities in Malaysia	4,522	15,095	19,617	8,253	26,073	34,326
Real estate investment trusts	-	842	842	780	809	1,589
Shariah approved unit trust funds	-	13,660	13,660	-	14,515	14,515
Islamic commercial papers	-	-	-	1,990	2,985	4,975
Deposit placements with licensed:						
Islamic banks	86,839	437,666	524,505	70,716	235,688	306,404
Development banks	907	70,428	71,335	3,185	58,285	61,470
Staff financing:						
Receivable within 12 months	343	-	343	360	-	360
Receivable after 12 months	496	-	496	773	-	773
Due from general takaful fund *	112,813	-	-	40,635	-	-
Amount due from:						
Holding company *	-	-	-	4,041	-	4,041
Fellow subsidiary *	-	-	-	-	2,498	2,498
Income due and accrued	1,377	5,495	6,872	2,261	4,951	7,212
Sundry receivables and prepayments	1,262	6,744	8,006	614	7,291	7,905
	325,397	826,780	1,039,364	319,234	670,735	949,334
Financial assets at FVTPL (Note 20(a))	4,522	29,597	34,119	9,033	41,397	50,430
Financial assets at FVOCI (Note 20(b))	116,838	276,850	393,688	185,626	317,640	503,266
Financial assets at AC and other assets (Note 20(c))	204,037	520,333	611,557	124,575	311,698	395,638
	325,397	826,780	1,039,364	319,234	670,735	949,334

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

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
(a) Financial assets at FVTPL						
At fair value:						
Quoted Shariah approved equities in Malaysia	4,522	15,095	19,617	8,253	26,073	34,326
Real estate investment trusts	-	842	842	780	809	1,589
Shariah approved unit trust funds	-	13,660	13,660	-	14,515	14,515
	<u>4,522</u>	<u>29,597</u>	<u>34,119</u>	<u>9,033</u>	<u>41,397</u>	<u>50,430</u>

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
(b) Financial assets at FVOCI						
At fair value:						
Unquoted sukuks	46,519	146,700	193,219	104,763	181,761	286,524
Government investment issues	70,319	130,150	200,469	80,863	135,879	216,742
	<u>116,838</u>	<u>276,850</u>	<u>393,688</u>	<u>185,626</u>	<u>317,640</u>	<u>503,266</u>

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

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
(c) Financial assets at AC and other assets						
At amortised cost						
Islamic commercial papers	-	-	-	1,990	2,985	4,975
Deposit placements with licensed:						
Islamic banks	86,839	437,666	524,505	70,716	235,688	306,404
Development banks	907	70,428	71,335	3,185	58,285	61,470
Staff financing:						
Receivable within 12 months	343	-	343	360	-	360
Receivable after 12 months	496	-	496	773	-	773
Due from general takaful fund *	112,813	-	-	40,635	-	-
Amount due from:						
Holding company *	-	-	-	4,041	-	4,041
Fellow subsidiary *	-	-	-	-	2,498	2,498
Income due and accrued	1,377	5,495	6,872	2,261	4,951	7,212
Sundry receivables	820	2,354	3,174	436	4,090	4,526
	<u>203,595</u>	<u>515,943</u>	<u>606,725</u>	<u>124,397</u>	<u>308,497</u>	<u>392,259</u>
Other assets:						
Prepayments	442	4,390	4,832	178	3,201	3,379
	<u>442</u>	<u>4,390</u>	<u>4,832</u>	<u>178</u>	<u>3,201</u>	<u>3,379</u>
	<u>204,037</u>	<u>520,333</u>	<u>611,557</u>	<u>124,575</u>	<u>311,698</u>	<u>395,638</u>

All items above, other than prepayments are financial assets measured at amortised cost.

* The amounts due from general takaful fund and related companies are unsecured, not subject to any profit elements and are repayable on demand.

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

The weightage average annual effective profit rate for each class of profit-bearing financial assets are as below:

	2023			2022		
	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
(d) Weightage average annual effective profit rate						
Islamic private debt securities	3.68%	3.81%	3.77%	2.27%	3.24%	3.22%
Loan receivable	0.28%	-	0.28%	0.31%	-	0.31%
Deposit placements with financial institution	3.72%	3.79%	3.78%	1.84%	1.98%	1.95%

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21. Takaful certificate receivables

General takaful fund and Company

	2023 RM '000	2022 RM '000
Due contributions including agents/brokers and co-takaful balances	88,151	60,240
Due from retakaful operators	11,098	17,276
	<u>99,249</u>	<u>77,516</u>
Allowance for impairment (Note 37 (a))	(6,666)	(9,472)
	<u>92,583</u>	<u>68,044</u>

Included in takaful certificate receivables are amounts due from related parties as disclosed under Note 33. The amounts receivable are subject to settlement terms stipulated in the takaful and retakaful certificates.

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

	Gross carrying amount RM'000	Gross amounts offset in the statements of financial position RM'000	Net amounts in the statements of financial position RM'000
2023			
Due from retakaful operators	91,988	(80,890)	11,098
	<u>91,988</u>	<u>(80,890)</u>	<u>11,098</u>
2022			
Due from retakaful operators	118,548	(101,272)	17,276
	<u>118,548</u>	<u>(101,272)</u>	<u>17,276</u>

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22. Takaful certificate liabilities

General takaful fund and Company

	Gross RM '000	Retakaful RM '000	Net RM '000
2023			
Provision for claims reported by certificate holders	360,773	(160,630)	200,143
Provision for claims incurred but not yet reported ("IBNR")	102,442	(43,002)	59,440
Provision of Risk Margin for Adverse Deviation ("PRAD")	52,062	(22,776)	29,286
Claim liabilities (i)	<u>515,277</u>	<u>(226,408)</u>	<u>288,869</u>
Contribution liabilities (ii)	<u>313,046</u>	<u>(87,816)</u>	<u>225,230</u>
	<u>828,323</u>	<u>(314,224)</u>	<u>514,099</u>
2022			
Provision for claims reported by certificate holders	274,276	(132,652)	141,624
Provision for claims incurred but not yet reported ("IBNR")	105,222	(45,527)	59,695
Provision of Risk Margin for Adverse Deviation ("PRAD")	46,517	(20,839)	25,678
Claim liabilities (i)	<u>426,015</u>	<u>(199,018)</u>	<u>226,997</u>
Contribution liabilities (ii)	<u>246,283</u>	<u>(60,954)</u>	<u>185,329</u>
	<u>672,298</u>	<u>(259,972)</u>	<u>412,326</u>

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22. Takaful certificate liabilities (cont'd.)

The movement of the claim liabilities and contribution liabilities of the general takaful fund are presented as below:

(i) Claim liabilities

General takaful fund and Company

	Gross RM '000	Retakaful RM '000	Net RM '000
2023			
At 1 April 2022	426,015	(199,018)	226,997
Claims incurred in the current accident year	364,314	(141,996)	222,318
Movement in Fund PRAD of claims liabilities at 75% confidence level	5,545	(1,936)	3,609
Movements in claims incurred in prior accident years	(11,386)	(2,494)	(13,880)
Claims paid during the year	(269,211)	119,036	(150,175)
At 31 March 2023	<u>515,277</u>	<u>(226,408)</u>	<u>288,869</u>
2022			
At 1 April 2021	325,688	(149,919)	175,769
Claims incurred in the current accident year	294,653	(139,395)	155,258
Movement in Fund PRAD of claims liabilities at 75% confidence level	12,503	(5,685)	6,818
Movements in claims incurred in prior accident years	7,619	(16,658)	(9,039)
Claims paid during the year	(214,448)	112,639	(101,809)
At 31 March 2022	<u>426,015</u>	<u>(199,018)</u>	<u>226,997</u>

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22. Takaful certificate liabilities (cont'd.)

(ii) Contribution liabilities

General takaful fund and Company	Gross RM '000	Retakaful RM '000	Net RM '000
2023			
At 1 April 2022	246,283	(60,954)	185,329
Contributions written during the year	706,932	(260,013)	446,919
Contributions earned during the year	(640,169)	233,151	(407,018)
At 31 March 2023	<u>313,046</u>	<u>(87,816)</u>	<u>225,230</u>
2022			
At 1 April 2021	223,546	(50,394)	173,152
Contributions written during the year	516,129	(196,614)	319,515
Contributions earned during the year	(493,392)	186,054	(307,338)
At 31 March 2022	<u>246,283</u>	<u>(60,954)</u>	<u>185,329</u>

23. Expense liabilities

Shareholder's fund and Company

	2023 RM '000	2022 RM '000
Expense liabilities of general takaful fund		
Unearned wakalah fees reserve	<u>61,318</u>	<u>51,391</u>

The movement of expense liabilities are presented as follows:

	RM '000
At 1 April 2022	51,391
- Wakalah fees received during the year (Note 8)	265,313
- Wakalah fees earned during the year	(255,386)
	9,927
At 31 March 2023	<u>61,318</u>
At 1 April 2021	46,188
- Wakalah fees received during the year (Note 8)	187,153
- Wakalah fees earned during the year	(181,950)
	5,203
At 31 March 2022	<u>51,391</u>

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24. Takaful certificate payables

General takaful fund and Company

	2023	2022
	RM '000	RM '000
Due to (re)takaful operators	81,473	59,657

Amounts due to (re)takaful operators which have been offset against amounts due from (re)takaful operators are as follows:

	Gross carrying amount	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position
	RM'000	RM'000	RM'000
2023			
Due to (re)takaful operators	162,363	(80,890)	81,473
2022			
Due to (re)takaful operators	160,929	(101,272)	59,657

Included in amounts due to (re)takaful operators are amounts due to related parties as presented under Note 33. The amounts payable are subject to settlement terms stipulated in the (re)takaful certificates.

25. Other payables

	Shareholder's fund	General takaful fund	Company
	RM '000	RM '000	RM '000
2023			
Provision on:			
Marketing related expenses	7,860	-	7,860
Salary and bonus	6,613	-	6,613
Others	6,619	-	6,619
Advance contributions	-	6,953	6,953
Deposit contributions	-	4,560	4,560
Amount due to participants	-	5,813	5,813
Amount due to shareholder's fund*	-	112,813	-
Amount due to holding company*	8,950	-	8,950
Amount due to fellow subsidiaries*	4,354	149	4,503
Surplus payable	-	22,647	22,647
Other accruals and payables	5,744	44,981	50,725
	<u>40,140</u>	<u>197,916</u>	<u>125,243</u>

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25. Other payables (cont'd.)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2022			
Provision on:			
Marketing related expenses	3,243	-	3,243
Salary and bonus	4,737	-	4,737
Others	4,949	-	4,949
Advance contributions	-	3,485	3,485
Deposit contributions	-	2,053	2,053
Amount due to participants	-	8,341	8,341
Amount due to shareholder's fund*	-	40,635	-
Amount due to fellow subsidiaries*	1,109	-	1,109
Surplus payable	-	21,257	21,257
Other accruals and payables	2,018	33,448	35,466
	<u>16,056</u>	<u>109,219</u>	<u>84,640</u>

* 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.

26. Share capital

Shareholder's fund and Company

	Number of ordinary shares		Amount	
	2023 '000	2022 '000	2023 RM '000	2022 RM '000
Issued and fully paid:				
At beginning/end of the year	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>

27. Reserves

	2023 RM '000	2022 RM '000
Shareholder's fund and Company		
Distributable retained profits	68,555	46,474
Non-distributable fair value reserves	(1,599)	(1,835)
	<u>66,956</u>	<u>44,639</u>

The fair value reserves arose from the changes in the fair value of investments classified as FVOCI. The retained earnings as at 31 March 2023 can be distributed as dividends under the single-tier system.

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28. General takaful fund

General takaful fund and Company

	2023	2022
	RM '000	RM '000
Accumulated surplus		
At beginning of the year	172,138	157,623
Surplus attributable to participants	9,107	22,515
Surplus payable to participants during the year	(3,000)	(8,000)
At end of the year	<u>178,245</u>	<u>172,138</u>
	2023	2022
	RM '000	RM '000
Fair value reserves		
At beginning of the year	(1,558)	2,362
Net gains/(losses) on fair value changes	2,146	(4,764)
Deferred tax on fair value changes	(137)	1,238
Realised gains transferred to profit or loss	(1,575)	(394)
At end of the year	<u>(1,124)</u>	<u>(1,558)</u>
	2023	2022
	RM '000	RM '000
General takaful fund at end of the year		
Accumulated surplus	178,245	172,138
Fair value reserves	(1,124)	(1,558)
	<u>177,121</u>	<u>170,580</u>

29. Earnings per share

The basic 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
Company	RM '000	RM '000
Profit attributable to ordinary shareholder (RM '000)	<u>40,081</u>	<u>32,862</u>
Number of ordinary shares in issue ('000)	230,000	230,000
Basic earnings per share (sen)	<u>17.4</u>	<u>14.3</u>

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30. Cash flow by fund

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2023			
Net cash flows generated from/(used in):			
Operating activities	75,031	40,029	115,060
Investing activities	(56,675)	-	(56,675)
Financing activities	(18,000)	-	(18,000)
	<u>356</u>	<u>40,029</u>	<u>40,385</u>
Net increase			
in cash and cash equivalents	356	40,029	40,385
At 1 April 2022	<u>3,376</u>	<u>7,167</u>	<u>10,543</u>
At 31 March 2023	<u>3,732</u>	<u>47,196</u>	<u>50,928</u>
2022			
Net cash flows generated from/(used in):			
Operating activities	28,901	(1,006)	27,895
Investing activities	(5,989)	-	(5,989)
Financing activities	(21,000)	-	(21,000)
	<u>1,912</u>	<u>(1,006)</u>	<u>906</u>
Net increase/(decrease) in cash and cash equivalents	1,912	(1,006)	906
At 1 April 2021	<u>1,464</u>	<u>8,173</u>	<u>9,637</u>
At 31 March 2022	<u>3,376</u>	<u>7,167</u>	<u>10,543</u>

31. Capital commitments and contingencies**Capital commitments**

Shareholder's fund and Company	2023 RM '000	2022 RM '000
Authorised and contracted for:		
Intangible assets	5,244	6,965
Motor vehicle and equipment	64	-
	<u>5,308</u>	<u>6,965</u>
Authorised but not contracted for:		
Intangible assets	18,142	15,358
Motor vehicle and equipment	2,071	2,471
	<u>20,213</u>	<u>17,829</u>
Payable within 1 year	9,983	12,152
Payable after 1 year but not more than 5 years	15,538	12,642
	<u>25,521</u>	<u>24,794</u>

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31. Capital commitments and contingencies (cont'd.)

Contingencies

The Company has provided bank guarantees on the services contracts with external parties of RM477,359 in the form of cash deposit in marginal accounts.

32. Regulatory capital requirement

The capital structure of the Company as at 31 March 2023, as prescribed under the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") is provided below:

	Shareholder's fund RM '000	General takaful fund RM '000	Total RM'000
2023			
Tier-1 capital			
Share capital	230,000	-	230,000
Retained profits/accumulated surplus	68,555	178,245	246,800
Tier-2 capital			
Fair value reserves	(1,599)	(1,124)	(2,723)
Amount deducted from capital	(74,311)	(7,834)	(82,145)
Total capital available	<u>222,645</u>	<u>169,287</u>	<u>391,932</u>
2022			
Tier-1 capital			
Share capital	230,000	-	230,000
Retained profits/accumulated surplus	46,474	172,138	218,612
Tier-2 capital			
Fair value reserves	(1,835)	(1,558)	(3,393)
Amount deducted from capital	(25,391)	(5,836)	(31,227)
Total capital available	<u>249,248</u>	<u>164,744</u>	<u>413,992</u>

33. Related party disclosures

For the purpose 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.

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33. Related party disclosures (cont'd.)

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

(a) Related party transactions

The significant related party transactions during the year are as follows:

2023	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Income/(expenses) and dividend:			
Transactions with MNRB:			
Gross contributions	-	445	445
Management fees	(16,701)	-	(16,701)
Management expense chargeback	(940)	-	(940)
Dividend paid	(18,000)	-	(18,000)
Transactions with Takaful IKHLAS			
Family, a fellow subsidiary:			
Gross contribution received	-	28	28
Gross contribution paid for takaful cover	(353)	-	(353)
Rental paid	(441)	-	(441)
Management fees	(532)	-	(532)
Management expense chargeback	(5,792)	-	(5,792)
Transactions with Malaysian Re, a fellow subsidiary:			
Gross contributions received	-	104	104
Contributions ceded	-	(24,838)	(24,838)
Retakaful commission income	-	1,240	1,240
Claims recoveries	-	18,990	18,990
Management fees	(476)	-	(476)
Rental paid	(1,145)	-	(1,145)
Management expense chargeback	(179)	-	(179)
Transactions with Labuan Reinsurance (L) Ltd ("Labuan Re"), in which Malaysian Re is a substantial shareholder:			
Gross contributions received	-	19	19
Contributions ceded	-	(6,453)	(6,453)
Retakaful commission income	-	613	613
Claims recoveries	-	4,629	4,629

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33. Related party disclosures (cont'd.)

(a) Related party transactions (cont'd.)

2022	Shareholder's fund	General takaful fund	Company
Income/(expenses) and dividend:	RM '000	RM '000	RM '000
Transactions with MNRB:			
Gross contributions	-	390	390
Management fees	(9,831)	-	(9,831)
Management expense chargeback	(781)	-	(781)
Dividend paid	(21,000)	-	(21,000)
Transactions with Takaful IKHLAS Family, a fellow subsidiary:			
Gross contribution received	-	106	106
Gross contribution paid for takaful cover	(310)	-	(310)
Rental paid	(1,448)	-	(1,448)
Management fees	(3,339)	-	(3,339)
Management expense chargeback	(5,203)	-	(5,203)
Transactions with Malaysian Re, a fellow subsidiary:			
Gross contributions received	-	100	100
Contributions ceded	-	(13,537)	(13,537)
Retakaful commission income	-	1,320	1,320
Claims recoveries	-	35,191	35,191
Management fees	(74)	-	(74)
Management expense chargeback	(26)	-	(26)
Transactions with Labuan Reinsurance (L) Ltd ("Labuan Re"), in which Malaysian Re is a substantial shareholder:			
Contributions ceded	-	(6,682)	(6,682)
Retakaful commission income	-	671	671
Claims recoveries	-	6,428	6,428

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33. 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	General takaful fund RM '000	Company RM '000
Takaful certificate receivables (Note 21):			
MNRB	-	15	15
Takaful IKHLAS Family	-	23	23
	<u>-</u>	<u>38</u>	<u>38</u>
Retakaful certificate assets:			
Malaysian Re	-	15,205	15,205
Labuan Re	-	6,112	6,112
	<u>-</u>	<u>21,317</u>	<u>21,317</u>
Takaful certificate payables:			
Malaysian Re	<u>-</u>	<u>(1,115)</u>	<u>(1,115)</u>
Other payables (Note 25):			
MNRB	(8,950)	-	(8,950)
Takaful IKHLAS Family	(351)	(149)	(500)
Malaysian Re	(4,003)	-	(4,003)
	<u>(13,304)</u>	<u>(149)</u>	<u>(13,453)</u>
2022			
Other receivables (Note 20):			
Takaful IKHLAS Family	-	2,498	2,498
MNRB	4,041	-	4,041
	<u>4,041</u>	<u>2,498</u>	<u>6,539</u>
Retakaful certificate assets:			
Malaysian Re	-	16,275	16,275
Labuan Re	-	7,555	7,555
	<u>-</u>	<u>23,830</u>	<u>23,830</u>

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33. Related party disclosures (cont'd.)

(b) Related party balances (cont'd.)

2022	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Takaful certificate payables:			
Malaysian Re	-	(1,316)	(1,316)
Labuan Re	-	(264)	(264)
Takaful IKHLAS Family	-	(5)	(5)
	<u>-</u>	<u>(1,585)</u>	<u>(1,585)</u>
Other payables (Note 25):			
Takaful IKHLAS Family	(1,108)	-	(1,108)
Malaysian Re	(1)	-	(1)
	<u>(1,109)</u>	<u>-</u>	<u>(1,109)</u>

(c) Key management personnel

The remuneration of Directors and other members of key management during the year are as follows:

	2023 RM '000	2022 RM '000
President & CEO remuneration (Note 11(a)):		
Salaries and bonus	618	719
Pension costs - EPF	105	112
Benefits-in-kind	9	24
Others	24	111
	<u>756</u>	<u>966</u>
Executive Directors' remuneration (Note 11(b)):		
Fees	-	-
Allowances and other emoluments	-	-
	<u>-</u>	<u>-</u>
Non-executive Directors' remuneration (Note 11(c)):		
Fees	583	726
Allowances and other emoluments	172	210
	<u>755</u>	<u>936</u>

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33. Related party disclosures (cont'd.)

(c) Key management personnel (cont'd.)

	2023	2022
	RM '000	RM '000
Group Shariah Committee member's remuneration (Note 11(d)):		
Fees	60	59
Allowances and other emoluments	15	20
	<u>75</u>	<u>79</u>
Other key management personnel's remuneration:		
Salaries and bonus	2,339	2,406
Pension costs - EPF	393	406
Others	576	331
Total	<u>3,308</u>	<u>3,143</u>

34. Dividends

The amounts of dividends paid by the Company were as follow:

	RM '000
In respect of the financial year ended 31 March 2022:	
Final single tier dividend of 7.83% on 230,000,002 ordinary shares, declared on 23 June 2022 and paid on 5 October 2022.	<u>18,000</u>
In respect of the financial year ended 31 March 2021:	
Final single tier dividend of 9.13% on 230,000,002 ordinary shares, declared on 6 September 2021 and paid on 4 October 2021.	<u>21,000</u>

35. 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.

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35. Risk management framework (cont'd.)

Risk management is the process of identifying, assessing, measuring, controlling, mitigating, and continuous monitoring the 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.

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) Ensure appropriate strategies are in place to mitigate risks and maximize opportunities;
- (vi) 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;
- (vii) Aligns the Company's risk management practices with its sustainability principles;
- (viii) Provides a single point of reference for managing risks in a systematic and structured way; and
- (ix) Standardizes 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.

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35. 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 organizational 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 CEOs 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
- (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.

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35. Risk management framework (cont'd.)

(a) Risk management governance (cont'd.)

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.

(c) Regulatory framework

The Company is required to comply with 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.

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35. Risk management framework (cont'd.)

(c) Regulatory framework (cont'd.)

In line with the RBCT Framework requirements on capital adequacy, the Company actively manages its capital adequacy by taking into consideration the potential impact on the Company's business strategies, risk profile and overall resilience of the Company. BNM Policy Document BNM/RFI/PD033-7 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 the 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 Insurans 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.

(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 contracts 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 Investment Management & Asset-Liability Committee ("IMALCO") has been established to manage and monitor asset-liability mismatch risks. The IMALCO ultimately reports to the Board through the Group Investment Committee.

36. Takaful risk of the general takaful fund

(a) Nature of risk

The Company principally manages the following classes of general takaful: Motor, Fire, Personal Accident and Miscellaneous (which includes Engineering and Marine).

Each participant pays a portion of the contribution, which is known as Tabarru' ("donation") into the General Takaful Fund ("GTF") for the purpose of meeting claims arising from events or risks covered under the takaful contracts.

The risks are mitigated by, among others, diversification across a large portfolio of business, which is designed to balance smoothen the overall claim experience. The solvency of the GTF is managed by adopting prudent underwriting and claims management practices and controls such as underwriting and claims SOPs.

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36. Takaful risk of the general takaful fund (cont'd.)

(a) Nature of risk (cont'd.)

The table below sets out the concentration on takaful certificate liabilities by class:

2023	Gross RM '000	Retakaful RM '000	Net RM '000
Fire	120,534	(26,357)	94,177
Motor	594,452	(248,355)	346,097
Personal Accident	40,686	(2,092)	38,594
Miscellaneous (including Marine, Aviation and Transit)	72,651	(37,420)	35,231
	<u>828,323</u>	<u>(314,224)</u>	<u>514,099</u>
2022			
Fire	136,519	(50,782)	85,737
Motor	436,146	(165,506)	270,640
Personal Accident	27,760	(94)	27,666
Miscellaneous (including Marine, Aviation and Transit)	71,873	(43,590)	28,283
	<u>672,298</u>	<u>(259,972)</u>	<u>412,326</u>

The Company also manages its risk exposure through the use of retakaful arrangements. The retakaful treaty arrangements of the Company are reviewed annually by the GMRCC and subsequently, as delegated by the Board, recommended to the RMCB for approval. Prudent standards are applied in the selection of the Company's key retakaful providers.

Stress Testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency and financial viability of the GTF under various scenarios as guided by regulatory guidelines. The Stress testing is designed to stimulate drastic changes in major parameters such as new business volume, claims experience, expenses and investment return.

(b) Reserving risk

Reserving risk relates to the risk arising from inadequate reserves to meet the net claims amount payable. The determination of GTF's claim liabilities, and to a certain extent GTF's contribution liabilities and Shareholder's Fund's expense liabilities relies on the information derived from various sources such as historical claims experience, existing knowledge of occurred events, the terms and conditions of relevant certificates and interpretation of prevailing circumstances. Upon notification of a claim, the Company sets aside case and technical reserves to meet the expected ultimate loss arising from the claim. These claim reserves are updated periodically taking into account the development of the claims.

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36. Takaful risk of the general takaful fund (cont'd.)

(b) Reserving risk (cont'd.)

At each financial year end, the Company performs a valuation of liabilities that is certified by the Appointed Actuary for the purpose of ensuring that claim and contribution liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the statement of comprehensive income.

(c) 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. The consequences of the risk are minimised by having retakaful coverage in place and retention in line with the risk appetite of the Company.

(d) 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 our risk appetite to retakaful operators with strong financial standing.

(e) Impact on liabilities, profit and equity

Key assumptions

The principal assumption underlying the estimation of liabilities is that the future claims development will follow a pattern similar to the historical trend experience.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future. Examples of external factors that may affect claims development include isolated one-off occurrence, changes in market factors such as public attitude to claims notification and reporting, economic conditions, judicial decision as well as government legislation. Examples of internal factors include changes in portfolio mix, changes in certificate conditions and changes in claims handling procedures, especially those that affect the speed of claim settlement.

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36. Takaful risk of the general takaful fund (cont'd.)

(e) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis

The general takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

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, as well as surplus before tax and the net surplus after tax. The correlation of assumptions will have significant effects in determining the ultimate claim liabilities but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The sensitivity analysis has been performed for the main classes of business which are Motor Act, Motor Others and Fire. Motor Act is analysed using changes in claim severity while Motor Others and Fire are analysed using changes in the expected ultimate loss ratio.

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36. Takaful risk of the general takaful fund (cont'd.)

(e) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis (cont'd.)

2023	Change in assumption of ultimate claims ratio	Impact on	Impact	Impact on	Impact on
		gross liabilities RM '000	on net liabilities RM '000	surplus before tax RM '000	participants' fund* RM '000
-----Increase/(decrease)-----					
Motor Act Average					
Severity	+10%	59,205	33,271	(33,271)	(25,286)
	-10%	(59,205)	(33,271)	33,271	25,286
Motor Others Expected					
Loss Ratio	+10%	39,901	23,701	(23,701)	(18,013)
	-10%	(39,901)	(23,701)	23,701	18,013
Fire Expected					
Loss Ratio	+10%	11,944	3,968	(3,968)	(3,016)
	-10%	(11,944)	(3,968)	3,968	3,016
2022					
Motor Act Average					
Severity	+10%	49,989	28,482	(28,482)	(21,646)
	-10%	(49,989)	(28,482)	28,482	21,646
Motor Others Expected					
Loss Ratio	+10%	30,945	18,567	(18,567)	(14,111)
	-10%	(30,945)	(18,567)	18,567	14,111
Fire Expected					
Loss Ratio	+10%	9,498	2,661	(2,661)	(2,022)
	-10%	(9,498)	(2,661)	2,661	2,022

* The impact on participants' fund reflects the after tax position.

The method used in performing the sensitivity analysis is consistent with the prior year.

(f) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims reported and IBNR (including IBNER) for each successive accident year at each financial year end, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience on best estimate basis with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an accident year is greatest when the claim is at an early stage of development:

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36. Takaful risk of the general takaful fund (cont'd.)

(f) Claims development table (cont'd.)

Gross General Takaful Certificate Liabilities for 2023:

Accident year	As at 31 March										Total RM '000
	Prior 2015 RM '000	2015 RM '000	2016 RM '000	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2021 RM '000	2022 RM '000	2023 RM '000	
At the end of accident year	635,225	176,571	174,218	190,776	195,417	188,468	194,052	204,481	294,653	364,314	
One year later	878,652	176,737	163,828	192,331	196,877	192,772	185,943	206,425	298,922		
Two year later	832,693	172,414	157,286	185,552	198,738	186,612	194,488	205,190			
Three year later	798,421	168,315	153,908	187,120	197,158	192,388	194,205				
Four year later	783,582	167,527	155,963	184,175	197,653	193,803					
Five year later	773,980	171,452	154,356	184,535	196,550						
Six year later	759,864	163,584	147,206	173,124							
Seven year later	757,914	162,573	144,602								
Eight year later	760,831	162,221									
Ninth year later	758,420										
Current estimate of cumulative claims incurred	758,420	162,221	144,602	173,124	196,550	193,803	194,205	205,190	298,922	364,314	
At the end of accident year	329,854	72,433	70,093	80,611	82,191	73,362	78,164	81,540	115,765	137,910	
One year later	545,582	121,645	112,184	132,501	131,743	127,672	120,590	132,365	195,496		
Two year later	666,378	141,980	130,725	153,910	158,922	147,522	140,866	153,413			
Three year later	712,690	154,662	138,037	162,779	168,814	165,025	159,330				
Four year later	729,703	157,119	140,658	165,165	174,992	174,415					
Five year later	735,283	160,685	141,922	167,414	176,515						
Six year later	741,100	161,168	143,256	168,238							
Seven year later	744,128	161,293	143,553								
Eight year later	757,758	161,333									
Ninth year later	757,933										
Cumulative payments to-date	757,933	161,333	143,553	168,238	176,515	174,415	159,330	153,413	195,496	137,910	
Gross general takaful contract liabilities:											
Best estimate of claims liabilities (including Allocated Loss Adjustment Expenses ("ALAE"))	487	888	1,049	4,886	20,035	19,388	34,875	51,777	103,426	226,404	463,215
Fund PRAD at 75%											52,062
Total (Note 22)											515,277

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36. Takaful risk of the general takaful fund (cont'd.)

(f) Claims development table (cont'd.)

Net General Takaful Certificate Liabilities for 2023:

Accident year	As at 31 March										Total RM '000
	Prior 2015 RM '000	2015 RM '000	2016 RM '000	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2021 RM '000	2022 RM '000	2023 RM '000	
At the end of accident year	675,135	104,071	110,041	113,257	113,775	107,381	118,287	127,751	155,257	222,318	
One year later	821,596	102,643	100,341	113,434	113,959	106,516	108,953	122,867	154,435		
Two year later	786,012	97,354	96,034	108,941	110,916	102,714	108,923	120,150			
Three year later	741,784	94,702	94,500	107,880	110,336	104,226	105,836				
Four year later	725,611	94,152	94,192	106,783	109,770	104,998					
Five year later	725,543	94,338	93,674	106,876	109,236						
Six year later	642,513	90,196	89,117	100,796							
Seven year later	634,318	90,030	87,895								
Eight year later	622,729	89,839									
Ninth year later	622,069										
Current estimate of cumulative claims incurred	622,069	89,839	87,895	100,796	109,236	104,998	105,836	120,150	154,435	222,318	
At the end of accident year	309,674	45,169	43,970	50,502	49,290	46,005	47,549	53,774	55,640	84,438	
One year later	483,135	71,475	69,156	79,164	79,694	75,861	74,034	81,153	96,918		
Two year later	574,199	82,078	80,147	90,931	92,440	85,132	84,566	94,110			
Three year later	602,476	86,274	84,404	95,729	97,264	90,723	90,732				
Four year later	618,103	87,824	85,974	97,147	98,941	94,927					
Five year later	620,421	89,303	86,721	97,953	99,665						
Six year later	620,847	89,481	87,294	98,156							
Seven year later	622,243	89,485	87,491								
Eight year later	622,449	89,509									
Ninth year later	622,043										
Cumulative payments to-date	622,043	89,509	87,491	98,156	99,665	94,927	90,732	94,110	96,918	84,438	
Net general takaful contract liabilities:											
Best estimate of claims liabilities (including ALAE)	26	330	404	2,640	9,571	10,071	15,104	26,040	57,517	137,880	259,583
Fund PRAD at 75%											29,286
Total (Note 22)											288,869

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36. Takaful risk of the general takaful fund (cont'd.)

(f) Claims development table (cont'd.)

Gross General Takaful Certificate Liabilities for 2022:

Accident year	As at 31 March										Total RM '000
	Prior 2014 RM '000	2014 RM '000	2015 RM '000	2016 RM '000	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2021 RM '000	2022 RM '000	
At the end of accident year	635,225	141,258	176,571	174,218	190,776	195,417	188,468	194,052	204,481	294,653	
One year later	737,394	125,098	176,737	163,828	192,331	196,877	192,772	185,943	206,425		
Two year later	707,595	122,664	172,414	157,286	185,552	198,738	186,612	194,488			
Three year later	675,758	116,932	168,315	153,908	187,120	197,158	192,388				
Four year later	666,650	114,368	167,527	155,963	184,175	197,653					
Five year later	659,612	113,948	171,452	154,356	184,535						
Six year later	645,916	111,549	163,584	147,206							
Seven year later	646,364	110,253	162,573								
Eight year later	650,578	110,175									
Ninth year later	648,327										
Current estimate of cumulative claims incurred	648,327	110,175	162,573	147,206	184,535	197,653	192,388	194,488	206,425	294,653	
At the end of accident year	329,854	52,965	72,433	70,093	80,611	82,191	73,362	78,164	81,540	115,765	
One year later	492,617	89,811	121,645	112,184	132,501	131,743	127,672	120,590	132,365		
Two year later	576,567	102,861	141,980	130,725	153,910	158,922	147,522	140,866			
Three year later	609,829	106,947	154,662	138,037	162,779	168,814	165,025				
Four year later	622,755	108,544	157,119	140,658	165,165	174,992					
Five year later	626,739	109,092	160,685	141,922	167,414						
Six year later	632,008	109,867	161,168	143,256							
Seven year later	634,261	110,006	161,293								
Eight year later	647,753	110,119									
Ninth year later	647,830										
Cumulative payments to-date	647,830	110,119	161,293	143,256	167,414	174,992	165,025	140,866	132,365	115,765	
Gross general takaful contract liabilities:											
Best estimate of claims liabilities (including Allocated Loss Adjustment Expenses ("ALAE"))	497	56	1,280	3,950	17,121	22,661	27,363	53,622	74,060	178,888	379,498
Fund PRAD at 75%											46,517
Total (Note 22)											426,015

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36. Takaful risk of the general takaful fund (cont'd.)

(f) Claims development table (cont'd.)

Net General Takaful Certificate Liabilities for 2022:

Accident year	As at 31 March										Total RM '000
	Prior 2014 RM '000	2014 RM '000	2015 RM '000	2016 RM '000	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2021 RM '000	2022 RM '000	
At the end of accident year	675,135	89,101	104,071	110,041	113,257	113,775	107,381	118,287	127,751	155,258	
One year later	732,495	80,459	102,643	100,341	113,434	113,959	106,516	108,953	122,866		
Two year later	705,553	77,240	97,354	96,034	108,941	110,916	102,714	108,923			
Three year later	664,544	73,895	94,702	94,500	107,880	110,336	104,226				
Four year later	651,716	73,044	94,152	94,192	106,783	109,770					
Five year later	652,499	72,721	94,338	93,674	106,876						
Six year later	569,792	70,690	90,196	89,117							
Seven year later	563,628	70,247	90,031								
Eight year later	552,482	70,256									
Ninth year later	551,810										
Current estimate of cumulative claims incurred	551,810	70,256	90,031	89,117	106,876	109,770	104,226	108,923	122,866	155,258	
At the end of accident year	309,674	33,647	45,169	43,970	50,502	49,290	46,005	47,549	53,774	55,640	
One year later	449,488	56,856	71,475	69,156	79,164	79,694	75,861	74,034	81,153		
Two year later	517,342	64,848	82,078	80,147	90,931	92,440	85,132	84,566			
Three year later	537,628	68,204	86,274	84,404	95,729	97,264	90,723				
Four year later	549,899	69,343	87,824	85,974	97,147	98,941					
Five year later	551,078	69,749	89,303	86,721	97,956						
Six year later	551,098	70,119	89,481	87,294							
Seven year later	552,124	70,200	89,485								
Eight year later	552,249	70,253									
Ninth year later	551,803										
Cumulative payments to-date	551,803	70,253	89,485	87,294	97,956	98,941	90,723	84,566	81,153	55,640	
Net general takaful contract liabilities:											
Best estimate of claims liabilities (including ALAE)	7	3	546	1,823	8,920	10,829	13,503	24,357	41,713	99,618	201,319
Fund PRAD at 75%											25,678
Total (Note 22)											226,997

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37. 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.

(a) Credit risk

Credit risk is the risk 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 sukuks. 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 three different types:

- (i) As a result of recoveries owing from the retakaful operators for claims;
- (ii) From retakaful contributions due from takaful operators; and
- (iii) As a result of reserves held by the retakaful operators which would have to be met by the Company in the event of default.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

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.

Management of credit risk

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

- (i) 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;
- (ii) Counterparty limits are set for investments and cash deposits to ensure that there is no concentration of credit risk;
- (iii) 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
- (iv) 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 acceptable retakaful operators based on their rating is maintained within the Company. The Company regularly reviews the financial security of its retakaful operator.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the risk categories. The retakaful operators' share of unearned contribution reserves have been excluded from the analysis as they are not contractual obligations.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
2023									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved equities in Malaysia	-	-	-	-	-	-	-	4,522	4,522
Financial assets at FVOCI									
Unquoted sukus	26,496	15,034	-	4,989	-	-	-	-	46,519
Government investment issues	70,319	-	-	-	-	-	-	-	70,319
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	46,790	34,506	5,543	-	-	-	-	86,839
Development banks	-	-	907	-	-	-	-	-	907
Staff financing:									
Receivable within 12 months	-	-	-	-	-	-	343	-	343
Receivable after 12 months	-	-	-	-	-	-	496	-	496
Due from general takaful fund	-	-	-	-	-	-	112,813	-	112,813
Income due and accrued	862	215	201	-	-	-	-	99	1,377
Sundry receivables	-	-	-	-	-	-	820	-	820
Cash and bank balances	-	2,928	786	-	-	-	-	18	3,732
	97,677	64,967	36,400	10,532	-	-	114,472	4,639	328,687

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
Shareholder's fund (cont'd.)									
2022									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved									
equities in Malaysia	-	-	-	-	-	-	-	8,253	8,253
Real estate investment trusts	-	-	-	-	-	-	-	780	780
Financial assets at FVOCI									
Unquoted sukus	31,164	58,526	10,079	4,994	-	-	-	-	104,763
Government investment issues	80,863	-	-	-	-	-	-	-	80,863
Financial assets at AC									
Islamic commercial papers	-	1,990	-	-	-	-	-	-	1,990
Deposit placements with licensed:									
Islamic banks	-	54,399	1,057	15,260	-	-	-	-	70,716
Development banks	-	106	3,079	-	-	-	-	-	3,185
Staff financing:									
Receivable within 12 months	-	-	-	-	-	-	360	-	360
Receivable after 12 months	-	-	-	-	-	-	773	-	773
Due from general takaful fund	-	-	-	-	-	-	40,635	-	40,635
Amount due from:									
Holding company	-	-	-	-	-	-	4,041	-	4,041
Income due and accrued	964	755	186	277	-	-	-	79	2,261
Sundry receivables	-	-	-	-	-	-	436	-	436
Cash and bank balances	-	2,979	378	-	-	-	-	19	3,376
	112,991	118,755	14,779	20,531	-	-	46,245	9,131	322,432

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
2023									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved									
equities in Malaysia	-	-	-	-	-	-	-	15,095	15,095
Real estate investment trusts	-	-	-	-	-	-	-	842	842
Shariah approved unit trust fund	-	-	-	-	-	-	-	13,660	13,660
Financial assets at FVOCI									
Unquoted sukuku	46,311	74,759	17,574	8,056	-	-	-	-	146,700
Government investment issues	130,150	-	-	-	-	-	-	-	130,150
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	246,169	114,154	77,343	-	-	-	-	437,666
Development banks	-	30,988	39,440	-	-	-	-	-	70,428
Income due and accrued	1,782	1,943	1,527	-	-	-	97	146	5,495
Sundry receivables	-	-	-	-	-	-	2,354	-	2,354
Retakaful certificate assets**	-	-	-	1,918	-	-	224,490	-	226,408
Takaful certificate receivables	-	-	-	3,713	-	-	88,870*	-	92,583
Cash and bank balances	-	13,891	29,677	3,628	-	-	-	-	47,196
	178,243	367,750	202,372	94,658	-	-	315,811	29,743	1,188,577

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

^(*) Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA, IFSA 2013 and LFSSA respectively.

^(**) Excludes the contribution liabilities.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
2022									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved equities in Malaysia	-	-	-	-	-	-	-	26,073	26,073
Real estate investment trusts	-	-	-	-	-	-	-	809	809
Shariah approved unit trust fund	-	-	-	-	-	-	-	14,515	14,515
Financial assets at FVOCI									
Unquoted sukuks	82,095	79,056	15,615	4,995	-	-	-	-	181,761
Government investment issues	135,879	-	-	-	-	-	-	-	135,879
Financial assets at AC									
Islamic commercial papers	-	2,985	-	-	-	-	-	-	2,985
Deposit placements with licensed:									
Islamic banks	-	120,174	55,592	59,922	-	-	-	-	235,688
Development banks	-	30,187	28,098	-	-	-	-	-	58,285
Amount due from fellow subsidiary	-	-	-	-	-	-	2,498	-	2,498
Income due and accrued	2,077	1,575	616	456	-	-	-	227	4,951
Sundry receivables	-	-	-	-	-	-	4,090	-	4,090
Retakaful certificate assets**	-	-	-	118,894	52,487	-	27,637	-	199,018
Takaful certificate receivables	-	11	-	1,429	-	-	66,604*	-	68,044
Cash and bank balances	-	1,011	5,432	724	-	-	-	-	7,167
	<u>220,051</u>	<u>234,999</u>	<u>105,353</u>	<u>186,420</u>	<u>52,487</u>	<u>-</u>	<u>100,829</u>	<u>41,624</u>	<u>941,763</u>

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

^(*) Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

^(**) Excludes the contribution liabilities.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
2023									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved									
equities in Malaysia	-	-	-	-	-	-	-	19,617	19,617
Real estate investment trusts	-	-	-	-	-	-	-	842	842
Shariah approved unit trust fund	-	-	-	-	-	-	-	13,660	13,660
Financial assets at FVOCI									
Unquoted sukus	72,807	89,793	17,574	13,045	-	-	-	-	193,219
Government investment issues	200,469	-	-	-	-	-	-	-	200,469
Financial assets at AC									
Deposit placements with licensed:									
Islamic banks	-	292,959	148,660	82,886	-	-	-	-	524,505
Development banks	-	30,988	40,347	-	-	-	-	-	71,335
Staff financing:									
Receivable within 12 months	-	-	-	-	-	-	343	-	343
Receivable after 12 months	-	-	-	-	-	-	496	-	496
Income due and accrued	2,644	2,158	1,728	-	-	-	97	245	6,872
Sundry receivables	-	-	-	-	-	-	3,174	-	3,174
Retakaful certificate assets**	-	-	-	1,918	-	-	224,490	-	226,408
Takaful certificate receivables	-	-	-	3,713	-	-	88,870*	-	92,583
Cash and bank balances	-	16,819	30,463	3,628	-	-	-	18	50,928
	<u>275,920</u>	<u>432,717</u>	<u>238,772</u>	<u>105,190</u>	<u>-</u>	<u>-</u>	<u>317,470</u>	<u>34,382</u>	<u>1,404,451</u>

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

^(*) Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

^(**) Excludes the contribution liabilities.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit quality of financial assets (cont'd.)

Credit exposure by credit rating (cont'd.)

Company (cont'd.)	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not Rated RM '000	Not subject to credit risk RM '000	Total RM '000
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000			
2022									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved									
equities in Malaysia	-	-	-	-	-	-	-	34,326	34,326
Real estate investment trusts	-	-	-	-	-	-	-	1,589	1,589
Shariah approved unit trust fund	-	-	-	-	-	-	-	14,515	14,515
Financial assets at FVOCI									
Unquoted sukuk	113,259	137,582	25,694	9,989	-	-	-	-	286,524
Government investment issues	216,742	-	-	-	-	-	-	-	216,742
Financial assets at AC									
Deposit placements with licensed:									
Islamic commercial papers	-	4,975	-	-	-	-	-	-	4,975
Islamic banks	-	174,573	56,649	75,182	-	-	-	-	306,404
Development banks	-	30,293	31,177	-	-	-	-	-	61,470
Staff financing:									
Receivable within 12 months	-	-	-	-	-	-	360	-	360
Receivable after 12 months	-	-	-	-	-	-	773	-	773
Amount due from:									
Holding company	-	-	-	-	-	-	4,041	-	4,041
Fellow subsidiary	-	-	-	-	-	-	2,498	-	2,498
Income due and accrued	3,041	2,330	802	733	-	-	-	306	7,212
Sundry receivables	-	-	-	-	-	-	4,526	-	4,526
Retakaful certificate assets	-	-	-	118,894	52,487	-	27,637	-	199,018
Takaful certificate receivables	-	11	-	1,429	-	-	66,604*	-	68,044
Cash and bank balances	-	3,990	5,810	724	-	-	-	19	10,543
	333,042	353,754	120,132	206,951	52,487	-	106,439	50,755	1,223,560

⁽ⁱ⁾ Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), AM Best and Standards & Poor ("S&P").

⁽ⁱ⁾ Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

(**) Excludes the contribution liabilities.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Investment assets - Reconciliation of allowance account

Significant increase in credit risk ("SICR")

The Company applies the General Approach or '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 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 profit rate ("EPR") method with a 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 reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at 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 which is applicable to the Company. 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 reporting date and in each subsequent year throughout the expected life of the financial instruments.

The financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial assets have occurred.

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.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Investment assets - Reconciliation of allowance account (cont'd.)**Expected credit loss (cont'd.)**

	Shareholder's	General	Company
	fund	takaful fund	
	Stage 1		
	12-months ECL		
2023	RM '000	RM '000	RM '000
Financial assets at FVOCI			
Government Guaranteed	96,815	176,461	273,276
AAA	15,034	74,759	89,793
AA	-	17,574	17,574
A	4,989	8,056	13,045
Carrying amount	116,838	276,850	393,688
2022			
Financial assets at FVOCI			
Government Guaranteed	112,027	217,974	330,001
AAA	58,526	79,056	137,582
AA	10,079	15,615	25,694
A	4,994	4,995	9,989
Carrying amount	185,626	317,640	503,266

As at the reporting date, all financial assets at FVOCI held by the Company is classified as Stage 1.

Movements in allowances for impairment losses for financial assets at FVOCI are as follows:

	Shareholder's	General	Company
	fund	takaful fund	
	Stage 1		
	12-months ECL		
2023	RM '000	RM '000	RM '000
As at 1 April 2022	6	6	12
Net adjustment of loss allowance (Note 12)	(1)	4	3
As at 31 March 2023	5	10	15
2022			
As at 1 April 2021	42	72	114
Net adjustment of loss allowance (Note 12)	(36)	(66)	(102)
As at 31 March 2022	6	6	12

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account

Other financial assets consist of takaful certificate receivables and other receivables.

The Company applied the simplified approach to its receivable and measures the allowance for impairment loss based on lifetime ECL from initial recognition as described in Note 2.12(ii).

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

(i) Quantitative criteria

Takaful certificate receivables and other 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 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.

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

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:

**General takaful fund
and Company**

2023	Not due RM '000	0-3 months RM '000	4-6 months RM '000	7-9 months RM '000	10-12 months RM '000	> 1 year RM '000	Total RM '000
ECL rate	0.0%	3.1%	2.6%	8.3%	37.3%	38.7%	6.7%
Gross carrying amount - Takaful certificate receivables	5,073	62,985	14,501	6,896	2,881	6,913	99,249
Allowance for ECL	-	1,967	375	572	1,074	2,678	6,666
Not credit impaired	-	1,967	375	572	1,074	1,142	5,130
Credit impaired	-	-	-	-	-	1,536	1,536

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Incorporation of forward-looking information (cont'd.)

General takaful fund
and Company (cont'd.)

2022	Not due RM '000	0-3 months RM '000	4-6 months RM '000	7-9 months RM '000	10-12 months RM '000	> 1 year RM '000	Total RM '000
ECL rate	0.0%	1.7%	8.4%	21.6%	42.4%	60.8%	12.2%
Gross carrying amount - Takaful certificate receivables	2,016	55,357	4,670	2,597	1,485	11,391	77,516
Allowance for ECL	-	963	391	561	629	6,928	9,472
Not credit impaired	-	963	391	561	629	4,987	7,531
Credit impaired	-	-	-	-	-	1,941	1,941

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Incorporation of forward-looking information (cont'd.)

The table below shows the gross takaful certificate and other receivables and the movement of allowance for ECL:

	Not credit impaired		Credit impaired		Total	
	Takaful Certificate	Others	Takaful Certificate	Others	Takaful Certificate	Others
General takaful fund and Company	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
2023						
<u>Gross carrying amount</u>						
As at 1 April 2022	75,575	920	1,941	140	77,516	1,060
Increase/(decrease)	22,138	81	(405)	(68)	21,733	13
As at 31 March 2023	<u>97,713</u>	<u>1,001</u>	<u>1,536</u>	<u>72</u>	<u>99,249</u>	<u>1,073</u>
<u>Allowance for ECL</u>						
As at 1 April 2022	(7,531)	(28)	(1,941)	(140)	(9,472)	(168)
Decrease/(increase)	2,400	(75)	406	68	2,806	(7)
As at 31 March 2023	<u>(5,131)</u>	<u>(103)</u>	<u>(1,535)</u>	<u>(72)</u>	<u>(6,666)</u>	<u>(175)</u>

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Incorporation of forward-looking information (cont'd.)

General takaful fund and Company (cont'd.)	Not credit impaired Takaful		Credit impaired Takaful		Total Takaful	
	Certificate RM '000	Others RM '000	Certificate RM '000	Others RM '000	Certificate RM '000	Others RM '000
2022						
<u>Gross carrying amount</u>						
As at 1 April 2021	89,513	1,548	1,306	21	90,819	1,569
(Decrease)/inrese	(13,938)	(628)	635	119	(13,303)	(509)
As at 31 March 2022	<u>75,575</u>	<u>920</u>	<u>1,941</u>	<u>140</u>	<u>77,516</u>	<u>1,060</u>
<u>Allowance for ECL</u>						
As at 1 April 2021	(14,302)	(688)	(1,306)	(21)	(15,608)	(709)
Decrease/(increase)	6,771	660	(635)	(119)	6,136	541
As at 31 March 2022	<u>(7,531)</u>	<u>(28)</u>	<u>(1,941)</u>	<u>(140)</u>	<u>(9,472)</u>	<u>(168)</u>

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37. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - 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:

	Individually impaired		Collectively impaired		Total	
	Takaful Certificate RM '000	Others RM '000	Takaful Certificate RM '000	Others RM '000	Takaful Certificate RM '000	Others RM '000
General takaful fund and Company						
2023						
Allowance for ECL						
As at 1 April 2022	(1,941)	(140)	(7,531)	(28)	(9,472)	(168)
Net adjustment of loss allowance	406	68	2,400	(75)	2,806	(7)
As at 31 March 2023	<u>(1,535)</u>	<u>(72)</u>	<u>(5,131)</u>	<u>(103)</u>	<u>(6,666)</u>	<u>(175)</u>
2022						
Allowance for ECL						
As at 1 April 2021	(1,306)	(21)	(14,302)	(688)	(15,608)	(709)
Net adjustment of loss allowance	(635)	(119)	6,771	660	6,136	541
As at 31 March 2022	<u>(1,941)</u>	<u>(140)</u>	<u>(7,531)</u>	<u>(28)</u>	<u>(9,472)</u>	<u>(168)</u>

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37. 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 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; and
- (iv) The holding of liquid assets in the respective funds.

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. For general takaful fund, the minimum limit for deposits is 10% of the gross average total claims incurred for the three preceding financial years.

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, contribution liabilities and the retakaful operators' share of contribution liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Shareholder's fund	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
2023						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	4,522	-	-	-	4,522	4,522
Financial assets at FVOCI						
Unquoted sukuk	46,519	3,039	16,686	42,807	-	62,532
Government investment issues	70,319	-	44,756	39,471	-	84,227
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	86,839	87,959	-	-	-	87,959
Development banks	907	928	-	-	-	928
Staff financing:						
Staff financing receivable	839	343	496	-	-	839
Due from general takaful fund	112,813	112,813	-	-	-	112,813
Income due and accrued	1,377	1,377	-	-	-	1,377
Sundry receivables	820	656	-	-	164	820
Cash and bank balances	3,732	-	-	-	3,732	3,732
Total financial and takaful assets	328,687	207,115	61,938	82,278	8,418	359,749
Other payables	40,140	40,140	-	-	-	40,140
Lease liabilities	8,202	2,033	6,169	-	-	8,202
Total financial and takaful liabilities	48,342	42,173	6,169	-	-	48,342

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Shareholder's fund (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
2022						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	8,253	-	-	-	8,253	8,253
Real estate investment trusts	780	-	-	-	780	780
Financial assets at FVOCI						
Unquoted sukuk	104,763	48,318	35,363	40,019	-	123,700
Government investment issues	80,863	3,182	41,166	54,902	-	99,250
Financial assets at AC						
Islamic commercial papers	1,990	2,000	-	-	-	2,000
Deposit placements with licensed:						
Islamic banks	70,716	70,923	-	-	-	70,923
Development banks	3,185	3,185	-	-	-	3,185
Staff financing receivable	1,133	360	773	-	-	1,133
Due from general takaful fund	40,635	40,635	-	-	-	40,635
Amount due from:						
Holding company	4,041	4,041	-	-	-	4,041
Income due and accrued	2,261	2,261	-	-	-	2,261
Sundry receivables	436	272	-	-	164	436
Cash and bank balances	3,376	-	-	-	3,376	3,376
Total financial and takaful assets	322,432	175,177	77,302	94,921	12,573	359,973
Other payables	16,056	16,056	-	-	-	16,056
Lease liabilities	3,511	882	2,600	29	-	3,511
Total financial and takaful liabilities	19,567	16,938	2,600	29	-	19,567

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

General takaful fund	Carrying value	Up to 1 year	1-5 years	Over 5 years	No maturity date	Total
2023	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	15,095	-	-	-	15,095	15,095
Real estate investment trusts	842	-	-	-	842	842
Shariah approved unit trust funds	13,660	-	-	-	13,660	13,660
Financial assets at FVOCI						
Unquoted sukuku	146,700	21,662	81,375	78,653	-	181,690
Government investment issues	130,150	10,274	67,162	79,511	-	156,947
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	437,666	443,548	-	-	-	443,548
Development banks	70,428	72,461	-	-	-	72,461
Secured staff financing:						
Income due and accrued	5,495	5,495	-	-	-	5,495
Sundry receivables	2,354	2,328	-	-	26	2,354
Retakaful certificate assets	226,408	107,517	103,214	15,677	-	226,408
Takaful certificate receivables	92,583	92,583	-	-	-	92,583
Cash and bank balances	47,196	-	-	-	47,196	47,196
Total financial and takaful assets	1,188,577	755,868	251,751	173,841	76,819	1,258,279
Takaful certificate liabilities	515,277	244,695	234,903	35,679	-	515,277
Takaful certificate payables	81,473	81,473	-	-	-	81,473
Other payables	197,916	197,916	-	-	-	197,916
Total financial and takaful liabilities	794,666	524,084	234,903	35,679	-	794,666

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

General takaful fund (cont'd.)	Carrying value	Up to 1 year	1-5 years	Over 5 years	No maturity date	Total
2022	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	26,073	-	-	-	26,073	26,073
Real estate investment trusts	809	-	-	-	809	809
Shariah approved unit trust funds	14,515	15,089	-	-	-	15,089
Financial assets at FVOCI						
Unquoted sukuku	181,761	51,137	93,630	73,661	-	218,428
Government investment issues	135,879	19,876	64,885	79,291	-	164,052
Financial assets at AC						
Islamic commercial papers	2,985	3,000	-	-	-	3,000
Deposit placements with licensed:						
Islamic banks	235,688	236,613	-	-	-	236,613
Development banks	58,285	58,285	-	-	-	58,285
Amount due from fellow subsidiary	2,498	2,498	-	-	-	2,498
Income due and accrued	4,951	4,951	-	-	-	4,951
Sundry receivables	4,090	4,064	-	-	26	4,090
Retakaful certificate assets	199,018	94,366	92,864	11,788	-	199,018
Takaful certificate receivables	68,044	68,044	-	-	-	68,044
Cash and bank balances	7,167	-	-	-	7,167	7,167
Total financial and takaful assets	941,763	557,923	251,379	164,740	34,075	1,008,117
Takaful certificate liabilities	426,015	201,999	198,784	25,232	-	426,015
Takaful certificate payables	59,657	59,657	-	-	-	59,657
Other payables	109,219	109,219	-	-	-	109,219
Total financial and takaful liabilities	594,891	370,875	198,784	25,232	-	594,891

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company	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
2023						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	19,617	-	-	-	19,617	19,617
Real estate investment trusts	842	-	-	-	842	842
Shariah approved unit trust funds	13,660	-	-	-	13,660	13,660
Financial assets at FVOCI						
Unquoted sukuk	193,219	24,701	98,061	121,460	-	244,222
Government investment issues	200,469	10,274	111,918	118,982	-	241,174
Financial assets at AC						
Deposit placements with licensed:						
Islamic banks	524,505	531,507	-	-	-	531,507
Development banks	71,335	73,389	-	-	-	73,389
Staff financing receivable	839	343	496	-	-	839
Income due and accrued	6,872	6,872	-	-	-	6,872
Sundry receivables	3,174	2,984	-	-	190	3,174
Retakaful certificate assets	226,408	107,517	103,214	15,677	-	226,408
Takaful certificate receivables	92,583	92,583	-	-	-	92,583
Cash and bank balances	50,928	-	-	-	50,928	50,928
Total financial and takaful assets	1,404,451	850,170	313,689	256,119	85,237	1,505,215
Takaful certificate liabilities	515,277	244,695	234,903	35,679	-	515,277
Takaful certificate payables	81,473	81,473	-	-	-	81,473
Other payables	125,243	125,243	-	-	-	125,243
Lease liabilities	8,202	2,033	6,169	-	-	8,202
Total financial and takaful liabilities	730,195	453,444	241,072	35,679	-	730,195

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37. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (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
2022						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	34,326	-	-	-	34,326	34,326
Real estate investment trusts	1,589	-	-	-	1,589	1,589
Shariah approved unit trust funds	14,515	15,089	-	-	-	15,089
Financial assets at FVOCI						
Unquoted sukuku	286,524	99,455	128,993	113,680	-	342,128
Government investment issues	216,742	23,058	106,051	134,193	-	263,302
Financial assets at AC						
Islamic commercial papers	4,975	5,000	-	-	-	5,000
Deposit placements with licensed:						
Islamic banks	306,404	307,536	-	-	-	307,536
Development banks	61,470	61,470	-	-	-	61,470
Staff financing receivable	1,133	360	773	-	-	1,133
Amount due from:						
Holding company	4,041	4,041	-	-	-	4,041
Fellow subsidiary	2,498	2,498	-	-	-	2,498
Income due and accrued	7,212	7,212	-	-	-	7,212
Sundry receivables	4,526	4,336	-	-	190	4,526
Retakaful certificate assets	199,018	94,366	92,864	11,788	-	199,018
Takaful certificate receivables	68,044	68,044	-	-	-	68,044
Cash and bank balances	10,543	-	-	-	10,543	10,543
Total financial and takaful assets	1,223,560	692,465	328,681	259,661	46,648	1,327,455
Takaful certificate liabilities	426,015	201,999	198,784	25,232	-	426,015
Takaful certificate payables	59,657	59,657	-	-	-	59,657
Other payables	84,640	84,640	-	-	-	84,640
Lease liabilities	3,511	882	2,600	29	-	3,511
Total financial and takaful liabilities	573,823	347,178	201,384	25,261	-	573,823

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37. 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; and
- (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.

Profit rate risk

The Company is exposed to profit rate risk 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 cash equivalents, 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.

Sensitivity analysis

A change of 25 basis points ("bp") in profit rates at the reporting date would have increased/(decreased) the value of investments by the amounts shown in the following pages:

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37. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

Sensitivity analysis (cont'd.)

	Changes in variable	Impact on carrying value RM '000	Impact on equity * RM '000
		-----(Decrease)/increase-----	
Shareholder's fund			
2023			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(752)	(572)
	- 25	752	572
Government investment issues	+ 25	(781)	(594)
	- 25	781	594
2022			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(950)	(722)
	- 25	950	722
Government investment issues	+ 25	(1,042)	(792)
	- 25	1,042	792
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(1)	(1)
	- 25	1	1

* Impact on equity is net of tax of 24% (2022: 24%) for the shareholder's funds.

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37. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

Sensitivity analysis (cont'd.)

	Changes in variable	Impact on carrying value RM '000	Impact on participants' fund * RM '000
		-----(Decrease)/increase-----	
General takaful fund			
2023			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(1,671)	(1,270)
	- 25	1,671	1,270
Government investment issues	+ 25	(1,474)	(1,120)
	- 25	1,474	1,120
2022			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(1,878)	(1,427)
	- 25	1,878	1,427
Government investment issues	+ 25	(1,553)	(1,180)
	- 25	1,553	1,180
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(2)	(1)
	- 25	2	1

* Impact on participants' fund is net of tax of 24% (2022: 24%) for the general takaful funds.

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37. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Profit rate risk (cont'd.)

Sensitivity analysis (cont'd.)

Company	Changes in variable	Impact on	Impact on
		carrying value RM '000	equity/ participants' fund * RM '000
------(Decrease)/increase-----			
2023			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(2,423)	(1,841)
	- 25	2,423	1,841
Government investment issues	+ 25	(2,255)	(1,714)
	- 25	2,255	1,714
2022			
Unquoted sukuku	+ 25	(2,828)	(2,149)
	- 25	2,828	2,149
Government investment issues	+ 25	(2,595)	(1,972)
	- 25	2,595	1,972
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(3)	(2)
	- 25	3	2

* Impact on equity/participants' fund is net of tax of 24% (2022: 24%) for the shareholder's and general takaful funds.

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37. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Price risk

Price risk is the risk that the fair value of a financial instrument 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 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 has 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.

Changes in variable	Impact on carrying value RM '000	Impact on profit/(loss) before tax RM '000	Impact on equity/ participants' fund * RM '000
-----Increase/(decrease)-----			

Shareholder's fund

2023

Financial assets	+ 5%	226	226	172
at FVTPL	- 5%	(226)	(226)	(172)

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37. 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 profit/(loss) before tax RM '000	Impact on equity/ participants' fund * RM '000
	-----Increase/(decrease)-----			
Shareholder's fund (cont'd.)				
2022				
Financial assets at FVTPL	+ 5%	452	452	344
	- 5%	(452)	(452)	(344)
General takaful fund				
2023				
Financial assets at FVTPL	+ 5%	1,480	1,480	1,125
	- 5%	(1,480)	(1,480)	(1,125)
2022				
Financial assets at FVTPL	+ 5%	2,070	2,070	1,573
	- 5%	(2,070)	(2,070)	(1,573)
Company				
2023				
Financial assets at FVTPL	+ 5%	1,706	1,706	1,297
	- 5%	(1,706)	(1,706)	(1,297)
2022				
Financial assets at FVTPL	+ 5%	2,522	2,522	1,917
	- 5%	(2,522)	(2,522)	(1,917)

* Impact on equity/participants' fund is net of tax of 24% (2022: 24%) for the shareholder's and general takaful funds.

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38. 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 (Information Technology) 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, systems validations, 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.

(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 2013 and section 33E(1) of the Development Financial Institutions Act ("DFIA") 2002;
- (iii) The rulings and standards of the Shariah Advisory Council of Securities Commission Malaysia ("SAC-SC"); or
- (iv) Decisions or advices of the GSC.

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38. Other risks (cont'd.)

(c) Shariah Non-Compliance Risk (cont'd.)

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 and affecting natural and human systems. It encompasses physical, transition and liability risks.) is the sub risk from ESG.

ESG risk arise 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 finalization of the Framework shall be harmonized with the Group's Sustainability Policy and Group Sustainability Roadmap.

39. 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.

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39. Fair values (cont'd.)

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 (cont'd.):

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 government guaranteed ("GG") sukuks, unsecured sukuks and government investment issues ("GII").

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.

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 cash equivalents 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 these instruments.

(iii) Takaful certificate receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed under Note 2.11(a). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

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39. Fair values (cont'd.)

(iv) Investments

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 2019.

(v) Fair value disclosures based on 3-level hierarchy

No transfers have occurred between levels in the 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:

	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
Shareholder's fund				
2023				
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	4,522	-	-	4,522
Financial assets at FVOCI:				
Unquoted sukuks	-	46,519	-	46,519
Government investment issues	-	70,319	-	70,319
	-	116,838	-	116,838
	4,522	116,838	-	121,360

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39. Fair values (cont'd.)

(v) Fair value disclosures based on 3-level hierarchy (cont'd.)

	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
Shareholder's fund (cont'd.)				
2022				
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	8,253	-	-	8,253
Real estate investment trusts	780	-	-	780
	<u>9,033</u>	<u>-</u>	<u>-</u>	<u>9,033</u>
Financial assets at FVOCI:				
Unquoted sukuk Government investment issues	-	104,763	-	104,763
	-	80,863	-	80,863
	<u>-</u>	<u>185,626</u>	<u>-</u>	<u>185,626</u>
	<u>9,033</u>	<u>185,626</u>	<u>-</u>	<u>194,659</u>

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39. Fair values (cont'd.)

(v) Fair value disclosures based on 3-level hierarchy (cont'd.)

	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
General takaful fund				
2023				
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	15,095	-	-	15,095
Real estate investment trusts	842	-	-	842
Shariah approved unit trust funds	13,660	-	-	13,660
	<u>29,597</u>	<u>-</u>	<u>-</u>	<u>29,597</u>
Financial assets at FVOCI:				
Unquoted sukuks	-	146,700	-	146,700
Government investment issues	-	130,150	-	130,150
	<u>-</u>	<u>276,850</u>	<u>-</u>	<u>276,850</u>
	<u>29,597</u>	<u>276,850</u>	<u>-</u>	<u>306,447</u>

2022

Financial assets:

Financial assets at FVTPL:

Quoted Shariah approved equities in Malaysia	26,073	-	-	26,073
Real estate investment trusts	809	-	-	809
Shariah approved unit trust funds	14,515	-	-	14,515
	<u>41,397</u>	<u>-</u>	<u>-</u>	<u>41,397</u>

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39. Fair values (cont'd.)

(v) Fair value disclosures based on 3-level hierarchy (cont'd.)

	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
General takaful fund (cont'd.)				
2022 (cont'd.)				
Financial assets at FVOCI:				
Unquoted sukuks	-	181,761	-	181,761
Government investment issues	-	135,879	-	135,879
	-	317,640	-	317,640
	41,397	317,640	-	359,037

Company

2023

Financial assets:

Financial assets at FVTPL:

Quoted Shariah approved equities in Malaysia	19,617	-	-	19,617
Real estate investment trusts	842	-	-	842
Shariah approved unit trust funds	13,660	-	-	13,660
	34,119	-	-	34,119

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39. Fair values (cont'd.)

(v) Fair value disclosures based on 3-level hierarchy (cont'd.)

Company (cont'd.)	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
2023 (cont'd.)				
<u>Financial assets (cont'd.):</u>				
Financial assets at FVOCI:				
Unquoted sukuks	-	193,219	-	193,219
Government investment issues	-	200,469	-	200,469
	-	393,688	-	393,688
	34,119	393,688	-	427,807
2022				
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	34,326	-	-	34,326
Real estate investment trusts	1,589	-	-	1,589
Shariah approved unit trust funds	14,515	-	-	14,515
	50,430	-	-	50,430

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39. Fair values (cont'd.)

(v) Fair value disclosures based on 3-level hierarchy (cont'd.)

	Valuation technique using:			Total RM '000
	Level 1 Quoted market prices RM '000	Level 2 Observable inputs RM '000	Level 3 Significant unobservable inputs RM '000	
Company (cont'd.)				
Financial assets at FVOCI:				
Unquoted sukuks	-	286,524	-	286,524
Government investment issues	-	216,742	-	216,742
	-	503,266	-	503,266
	50,430	503,266	-	553,696



TAKAFUL IKHLAS GENERAL BERHAD

201701019705 (1233870-A)



**5th Floor, Bangunan Malaysian Re,
No. 17, Lorong Dungun, Damansara Heights,
50490 Kuala Lumpur**

Tel: +603-2707 3333

Fax: +603-2707 3322

Email : ikhilscare@takaful-ikhlas.com.my

www.takaful-ikhlas.com.my