

DIRECTORS' REPORT

& Audited Financial Statements

TAKAFUL IKHLAS GENERAL BERHAD

201701019705 (1233870-A)

Financial Year Ended

31 March

2022

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

Directors' Report and Audited Financial Statements
31 March 2022

**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 2022.

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 year	<u>32,862</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.

Dividends

The amount of dividends paid by the Company since 31 March 2021 was as follows:

	RM '000
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>

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 and subsequent event

Significant and subsequent event during the financial year is as disclosed in Note 40 to the financial statements.

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
Arul Sothy Mylvaganam
Dato' Amirudin Abdul Halim
Rosinah Mohd Salleh
Woon Tai Hai
Dr. Wan Zamri Wan Ismail (Appointed with effect from 1 October 2021)
Datuk Nik Moustpha Nik Hassan (Resigned with effect from 23 September 2021)
George Oommen (Resigned with effect from 1 October 2021)
Hijah Arifakh Othman (Resigned with effect from 1 October 2021)

Dr. Wan Zamri Wan Ismail will retire pursuant to Section 205(6) of the Companies Act, 2016 and, being eligible, had offered himself for re-election.

Datuk Johar Che Mat and Puan Rosinah Mohd Salleh will retire pursuant to Section 205(3)(b) of the Companies Act, 2016 and, being eligible, had offered 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 48.

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

The retiring auditors, Messrs. Ernst & Young PLT, have expressed their willingness to accept re-appointment. 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 15 June 2022.



Datuk Johar Che Mat

Kuala Lumpur, Malaysia
15 June 2022



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 2022.

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 this responsibility by complying with all the relevant Acts and Regulations, as well as adopting the principles and best practices of the PD CG.

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;
- (ii) paragraph 11.4 which requires that the Board must not have more than one 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.

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 43 to 46.

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-info/board-charter>.

Directors' Code of Ethics

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, goal 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.

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 membership in the various Board Committees and attendance at meetings.

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Directors' Independence and INED (cont'd.)

The Company determines the independence of its Directors in accordance with the requirements under the PD CG. Under the PD CG, an Independent Director of the Company is one who himself or any person linked to him is independent from Management, the substantial shareholders of the Company and/or any of its affiliates, and has no significant business or other contractual relationship with the Company or its affiliates within the last 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.

Policy on Independent Directors

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 Director Policy ("Group ID Policy"). The Board of the Company had adopted the revised Group ID Policy vide a Directors' Written Resolution dated 11 April 2022.

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 businesses, 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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Policy on Independent Directors (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 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 to the Board and appointment of 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 Company's 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 Company's Fit and Proper Policy for Key Responsible Persons.

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 said Committee 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 them to the Board for appointment. An interview session is held between members of the GNRC and the candidate prior to its recommendation to the Board.

The GNRC and Board will devote sufficient time to review, deliberate and finalise the selection of Directors. In this aspect, 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 Company's Fit and Proper Policy for Key Responsible Persons.

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Appointment to the Board and appointment of Key Senior Management Officers (cont'd.)

The GNRC conducts a yearly assessment on the suitability of the present Directors under the abovementioned Fit and Proper Policy for Key Responsible Persons. 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 be considered by the Board in appointing/reappointing Directors:

- probity, personal integrity and reputation – the person must have key qualities such as honesty, independence of mind, integrity, diligence and fairness;
- competence and capability – the person must have the necessary skills and ability; and
- financial integrity – the person must have financial soundness and be able to manage their debts and financial affairs prudently.

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 Section 205(3)(b) of the Companies Act, 2016, 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.

Datuk Johar Che Mat and Puan Rosinah Mohd Salleh will retire pursuant to Section 205(3)(b) of the Companies Act, 2016 and, being eligible, had offered 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.

Dr. Wan Zamri Wan Ismail who was appointed as a Director on 1 October 2021 will retire pursuant to Section 205 (6) of the Companies Act 2016 and being eligible, had offered himself for re- election.

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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 2022, the Board held nine (9) 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.

As any other organisation within the industry, locally and worldwide, the Company too faced unprecedented tumult and uncertainty arising from the Covid-19 pandemic. Commencing March 2020, a larger number of Board and Board Committees meetings were conducted virtually including the AGM.

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 2022 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	9/9	100%
Zaharudin Daud NIED	9/9	100%
Arul Sothy Mylvaganam INED	9/9	100%
Dato' Amirudin Abdul Halim INED	9/9	100%
Rosinah Mohd Salleh INED	9/9	100%
Woon Tai Hai INED	9/9	100%
Dr. Wan Zamri Wan Ismail INED (Appointed with effect from 1 October 2021)	5/5	100%

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Board meetings (cont'd.)

Directors	Attendance	Percentage
Datuk Nik Moustpha Nik Hassan INED <i>(Resigned with effect from 23 September 2021)</i>	4/4	100%
George Oommen INED <i>(Resigned with effect from 1 October 2021)</i>	4/4	100%
Hijah Arifakh Othman INED <i>(Resigned with effect from 1 October 2021)</i>	4/4	100%

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

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Board meetings (cont'd.)

- Policies and procedures;
- Annual budget; and
- Capital management plan.

Directors' remuneration

(a) Remuneration policy and procedure

The GNRC recommends to the Board the appropriate remuneration packages for the Directors as well as the President & CEO and the key senior management officers in order to attract, motivate and retain the Directors, the President & CEO and the key senior management officers of the necessary calibre 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.

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 shareholders' 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 shareholders 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 fee for each Director for the financial year ended 31 March 2022:

		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
Nomination and Remuneration Committee	Chairman		17,000
	Member		12,000
Risk Management Committee	Chairman		22,000
	Member		17,000
Investment Committee	Chairman		17,000
	Member		12,000
Group Nomination & Remuneration Committee	Member/ Permanent		12,000
	Invitee		
Group Investment Committee ("GIC")	Member		12,000

*The Board of the Company at its 29th Meeting held on 29 November 2021, had accepted MNRB's proposal to leverage on the newly established GNRC and GIC and subsequently, had resolved to collapse the Nomination & Remuneration Committee ("NRC") and Investment Committee ("IC") of the Board effective 1 January 2022.

The details of the total remuneration of each Director of the Company during the financial year ended 31 March 2022 are disclosed in Note 11 of the financial statements. Directors' fees amounting to RM725,544 for the financial year ended 31 March 2022 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 Group Shariah Committee ("GSC") members are decided by the MNRB Board. The meeting attendance allowance and annual fees of the GSC members were shared equally with fellow subsidiaries of MNRB, 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 2022 are 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 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 remunerations 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 in the process of developing a long term incentive plan ("LTIP") to be included as part of its current remuneration policy. The LTIP would reflect the time horizon of risks to take into account the potential development of financial risks over a longer period of time. A multi-year framework will be adopted to reward the performance of the President & CEO, the Board Appointees and the Senior Management team. The Company is working towards having the LTIP in place within the current financial year ending 31 March 2023.

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

	Unrestricted RM '000	Deferred RM '000	Remark
Fixed remuneration:			
- Cash-based	3,445	-	Salaries, allowance and EPF
- Other	24	-	Benefits-in-kind
Variable remuneration:			
- Cash-based	639	-	Variable bonus and EPF 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 in other companies and shall abstain from any discussions and decision-making in relation to these companies.

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 Group Directors' Training – "Special Presentation on Actuarial Contractual Liabilities for General Takaful Business"
- MNRB Group Directors' Training – "Value of New Business (VoNB) and Embedded Value (EV) Concepts"
- MNRB Group Directors' Training – "Sustainability Awareness Session: Embracing Sustainable Future"
- MNRB Group Directors' Training – "Agile Leadership Awareness Program"
- 2021 GSC Engagement Session – "FORUM: Empowering Shariah Mind in Islamic Financial Institution"
- BNM – FIDE FORUM - MASB Dialogue – "MFRS17 Insurance Contracts: What Every Director Must Know"
- BNM-FIDE FORUM Dialogue – "Risk-Based Capital Framework for Insurers and Takaful Operators"
- PNB Knowledge Forum 2021 – "Rising above Covid-19: Reimagining Work in Malaysia and Beyond"
- The JC3 Flagship Conference 2021 – "Finance For Change"
- SIDC – "Rethinking Cybersecurity in the New Norm"
- Asia School of Business – "Open Enrolment namely Sustainability and Its Impact on Organisations: What Directors Need to Know"

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").

The Board of the Company at its 29th Meeting held on 29 November 2021, had accepted MNRB's proposal to leverage on the newly established GNRC and Group Investment Committee ("GIC") and subsequently, had resolved to collapse the Nomination & Remuneration Committee ("NRC") and the Investment Committee ("IC") of the Company effective 1 January 2022.

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

As at the financial year end, the Audit Committee ("AC") comprises three (3) Independent Non-Executive Directors ("INED"). One (1) member of the Committee is a qualified accountant and member of the Malaysian Institute of Accountants. During the financial year, two (2) INED was appointed into the Committee and two (2) INED and one (1) NINED resigned from the Committee.

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, five (5) Audit Committee 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	5/5	100%
<u>Members</u>		
Dato' Amirudin Abdul Halim	5/5	100%
<i>(Appointed as member with effect from 1 April 2021)</i>		
Dr. Wan Zamri Wan Ismail	1/1	100%
<i>(Appointed as member with effect from 1 January 2022)</i>		
George Oommen	3/3	100%
<i>(Ceased as member with effect from 1 October 2021)</i>		

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Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

	Attendance	Percentage
Datuk Johar Che Mat (Ceased as member with effect from 1 January 2022)	4/4	100%
Woon Tai Hai (Ceased as member with effect from 1 January 2022)	4/4	100%

The main activities that took place during the meetings were:

- Reviewed the quarterly results, unaudited interim financial statements and year-end financial statements prior to approval by the Board;
- Reviewed the disclosures in the audited financial statements to be in compliance with regulatory requirements;
- Reviewed and recommended to the Board, the actuarial valuation of liabilities, regulatory capital requirements and stress test results of the Company for quarterly and year-end financial result to be in compliance with BNM's requirements;
- Reviewed and recommended to the Board, the zakat payable amount and the basis of computation for the financial year ended 31 March 2021;
- 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 2022;
- 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 2021;
- Reviewed the chairman's statement for inclusion in the directors' report;
- Reviewed the results of the internal audit reports for the Company on the adequacy and effectiveness of governance, risk management and compliance process;
- Evaluated the performance and recommended to the Board the appointment and remuneration of the external auditors for the financial year ended 31 March 2022;

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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 19 November 2021. Matters discussed during these meetings include key observations noted by the external auditors during the course of their annual audit;
- 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 internal and external auditors' audit plan for the year ended 31 March 2022;
- 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; and
- Updates on matters pertaining to the status of impact of Covid-19 and Movement Control Order ("MCO").

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee

Effective 1 January 2022, the Company is advised by the GNRC of MNRB. The GNRC resides at MNRB and is leveraged by the Company. The GNRC became effective from 1 January 2022 replacing the NRC of the Company. The collapsing of the Company's NRC was approved by BNM. Therefore, this arrangement is in compliance with BNM's Corporate Governance Framework and the Islamic Financial Services Act 2013 ("IFSA 2013").

Nomination & Remuneration Committee

The NRC comprised two (2) INEDs and one (1) NINED. The NRC was chaired by an INED.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

During the financial year until 31 December 2021, five (5) NRC meetings were held. Details of the NRC members' attendance at the meetings are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Rosinah Mohd Salleh <i>(Redesignated as Chairman with effect from 1 November 2021 and ceased with effect from 1 January 2022)</i>	5/5	100%
Datuk Nik Moustpha Nik Hassan <i>(Resigned as Chairman with effect from 23 September 2021)</i>	4/4	100%
<u>Members</u>		
Datuk Johar Che Mat <i>(Ceased with effect from 1 January 2022)</i>	5/5	100%
Dr. Wan Zamri Wan Ismail <i>(Appointed as member with effect from 1 November 2021 and ceased with effect from 1 January 2022)</i>	1/1	100%
Hijah Arifakh Othman <i>(Resigned as member with effect from 1 October 2021)</i>	4/4	100%

The President & CEO was invited to attend and also assist to furnish the NRC with the necessary information and clarification to the relevant items on the agenda.

All the proceedings at NRC meetings were duly recorded in the minutes. The Company Secretary ensures that the minutes were signed by the Chairman and entered into the minutes book.

The Chairman of the NRC updated the Board on matters that had been deliberated and considered.

The NRC was vested with such power and authority, specific or general, as might be delegated upon by the Board, from time to time. The NRC could obtain resources which it requires, including but not limited to, obtaining expert advice, both internal and external, and to have full and unrestricted access to information to enable the NRC to fulfil its objectives.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

The NRC was formed with the objectives to assist the Board to:

On nomination matters

- Review and assess the appointment/reappointment/removal of Directors, Board Committee members, President & CEO and Board Appointments for recommendation to the Board;

Following the revision to the TOR for NRC, the Board had on 24 March 2021 agreed that the NRC shall review and assess the appointment of Board Appointments instead of Senior Management. Board Appointments shall include any post created by the Board, including those appointed under E11 and above and positions named by relevant Regulator to be sanctioned by the Board.

- Advise on the optimal size and mix of skills of the Board and Board Committees; and
- Review and assess the Company's key policies, strategies and practices on human resources, management succession plans and business conduct and ethical behaviour of the employees.

On remuneration matters

- Non-Executive Director ("NED")
 - (i) To recommend to the Board on the remuneration and entitlement of the NEDs, including the Non-Executive Chairman. Such remuneration and entitlement shall be a matter to be decided by the Board as a whole;
 - (ii) The level of remuneration shall reflect the level of responsibilities undertaken by a particular NED in the various Board Committees; and
 - (iii) In considering the appropriate remuneration and entitlement of the NEDs, the NRC shall take into consideration the need to attract, retain and motivate individuals of the necessary calibre.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

On remuneration matters (cont'd.)

- President & CEO and Board Appointments
 - (i) Establish a Framework of Policies for the remuneration package of the President & CEO and Board Appointments for recommendation to the Board;

In this role, the NRC shall seek to ensure fair remuneration to the President & CEO and Board Appointments, which, while set in the context of what the Company can reasonably afford, recognises the following principles:

 - (a) That the President & CEO and Board Appointments receive compensation which are appropriate to their scale of responsibilities taking into account the demands, complexities and performance of the Company as well as skills and experience required;
 - (b) That performance targets are established to achieve alignment with the interests of shareholders of the Company, with an appropriate balance between long and short term objectives; and
 - (c) The need to attract, motivate and retain a President & CEO and Board Appointments of the necessary calibre to run the Company successfully.
 - (ii) Make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for the President & CEO and Board Appointments.
 - (iii) Assist the Board in reviewing the key performance indicators ("KPI"), performance, compensation and remuneration packages of the President & CEO and Board Appointments, and to make the appropriate recommendation to the Board.

On nomination matters

The main duties and responsibilities of the NRC's were summarised as follows:

- (i) Conducting review, assessment and making recommendation to the Board for decision on matters covered under this TOR or on any other such matters as may be directed by the Board; and
- (ii) Exercising its power to decide on behalf of the Board as mandated under this TOR.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

On nomination matters (cont'd.)

The NRC was responsible to review, assess and recommend to the Board the following matters:

- (i) the nomination of new Directors and the President & CEO.

In recommending such candidates, NRC must take into the Company's Policy on Diversity and the candidate's:

- skills, knowledge, expertise and experience
- professionalism
- integrity
- time commitment
- potential conflict of interest
- fitness and appropriateness

- (ii) the nomination of competent persons of integrity with strong sense of professionalism for appointment as Board Appointments;
- (iii) the reappointment of a Director and President & CEO;
- (iv) the optimal size and mix of skills to ensure the efficient operation of the Board and Board Committees;
- (v) the membership of Board Committees;
- (vi) the appropriate recommendation to the Board on the effectiveness of the Board as a whole and the contribution of each Director based on the findings from the Directors' Annual Evaluation;
- (vii) to assess the independence of Independent Directors based on their objective judgement to board deliberations;
- (viii) the establishment of an appropriate succession plan for President & CEO and Board Appointments and to ensure there are programmes that provide for the orderly succession of President & CEO and Board Appointments;
- (ix) the removal of a Director and Senior Management from the Board/Company if the Director/President & CEO and/or Senior Management is ineffective, errant and negligent in discharging his/her responsibilities;
- (x) re-election of the Directors subject for retirement by rotation based on the provisions in the Companies Act, 2016 at every AGM; and

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

On nomination matters (cont'd.)

- (xi) any human resource matters as may be required from time to time including Employee Engagement.

For avoidance of doubt, the NRC was not delegated with decision-making powers for the above matters but is required to report its recommendation to the Board for decision.

The NRC Chairman should report on its proceedings and made any recommendations to the Board at the earliest Board meeting after each NRC meeting.

On remuneration matters

The main duties and responsibilities of the NRC's were summarised as follows:

- (i) review and recommend to the Board the remuneration and benefits of NEDs;
- (ii) review and recommend to the Board for shareholder's approval at the Annual General Meeting on the fee structure and benefits of the Board;
- (iii) review the remuneration policies and procedures to attract and retain Directors, the President & CEO and Board Appointments and employees;
- (iv) review and recommend to the Board the remuneration, performance and rewards of the President & CEO and Board Appointments;
- (v) review and recommend to the Board the terms & conditions of the Contract of Service of the President & CEO and Board Appointments;
- (vi) review and recommend to the Board the setting and achievement of the Corporate Balanced Scorecard;
- (vii) review and recommend to the Board any changes to the Scheme of Service for Executives and Collective Agreement for Non-Executives;
- (viii) recommend market adjustment, promotion increment and adjustment for the President & CEO and Board Appointments to the Board; and
- (ix) examine and review such other matters referred by the Board to the NRC.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

On remuneration matters (cont'd.)

The NRC was empowered by the Board to review, decide on and/or approve the following matters:

- (i) to assess the training needs of the Board and each Director; and
- (ii) to perform all obligations required to be undertaken by the NRC under the Company's Fit & Proper Policy and Procedure ("Fit & Proper Policy") which includes, among others, as follows:
 - to review the Fit & Proper policy once a year to ensure their relevance and alignment with material changes in the business and risk profile and strategies of the Company; and
 - to review the list of Key Responsible Persons (as defined in the Fit & Proper Policy) for the Company and be satisfied that the list is comprehensive and has taken into account all key positions.

Any other matters not covered under the Decision Making Mandates will be recommended by the NRC for the Board's decision.

The Directors are able to devote full commitment to their roles and responsibilities as Directors of the Company, as no Director holds more than five (5) directorships in other public listed companies.

In accordance with prescribed PD CG, the NRC undertook these key activities during the financial year until 31 December 2021:

On nomination matters

- Assessed and made recommendations on the re-election of Directors retiring by rotation at the AGM;
- Assessed the performance on the appointment of the Appointed Actuary;
- Assessed and made recommendations on the appointment of a new President & CEO;
- Proposed Adoption of Talent Management and Succession Planning Framework; and
- Assessed and made recommendations on the appointment/re-appointment of INED and NINEC.

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Nomination & Remuneration Committee (Cont'd.)

On remuneration matters

- The achievement of the Balanced Scorecard ("BSC")/Key Performance Indicators ("KPI") for the bonus and performance of staff;
- Proposed Salary Scale and Base Salary Revision for Executives;
- Reviewed of Medical Benefits for the Board of Directors; and
- Proposed remuneration of new President & CEO.

Group Nomination & Remuneration Committee

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 cascaded to the Board of the Company for its decision.

Dr. Wan Zamri Wan Ismail was appointed as the Permanent Invitee of GNRC representing the Company.

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

	Attendance	Percentage
<u>Chairman</u>		
Zaida Khalida Shaari	1/1	100%
INED, MNRB		
<i>(Appointed as Chairman with effect from 1 January 2022)</i>		
<u>Members</u>		
Junaidah Mohd Said	1/1	100%
INED, MNRB		
<i>(Appointed as member with effect from 1 January 2022)</i>		

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Board Committees (cont'd.)

(ii) Nomination & Remuneration Committee and Group Nomination & Remuneration Committee (cont'd.)

Group Nomination & Remuneration Committee (cont'd.)

	Attendance	Percentage
<u>Members (cont'd.)</u>		
Khalid Sufat INED, MNRB <i>(Appointed as member with effect from 1 January 2022)</i>	1/1	100%
Shareen Ooi Bee Hong <i>Permanent Invitee representing Takaful Ikhlas Family Berhad (Appointed as member with effect from 1 January 2022)</i>	1/1	100%
Dr. Wan Zamri Wan Ismail <i>Permanent Invitee representing the Company. (Appointed as member with effect from 1 January 2022)</i>	1/1	100%

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

The Board has established a dedicated RMCB which oversees the implementation of an enterprise-wide risk management framework.

The RMCB comprises one (1) NINEC and three (3) INEDs.

The RMCB is responsible for the following:

- Review and recommend risk management strategies, policies, risk appetite and tolerance limits to the Board;
- Review and recommend compliance management strategies and policies to the Board;
- Review the adequacy of the Group Risk Management Framework and Policy ("RM Framework"), Group Compliance Management Framework, and other risk and compliance related frameworks, policies and systems, and the extent to which these are operating effectively in supporting the Company's corporate objectives;
- Ensure sound internal governance and adequate infrastructure, resources and systems are in place for an effective risk management and compliance management, and the 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");

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Board Committees (cont'd.)

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

- 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 <i>(Appointed as Chairman with effect from 1 November 2021)</i>	2/2	100%
Rosinah binti Mohd Salleh <i>(Redesignated as member with effect from 1 November 2021)</i>	5/5	100%
<u>Members</u>		
Woon Tai Hai	5/5	100%
Datuk Johar Che Mat <i>(Appointed as member with effect from 1 January 2022)</i>	1/1	100%
Arul Sothy Mylvaganam <i>(Ceased as member with effect from 1 January 2022)</i>	4/4	100%
Dato' Amirudin Abdul Halim <i>(Ceased as member with effect from 1 November 2021)</i>	3/3	100%
George Oommen <i>(Resigned as member with effect from 1 October 2021)</i>	3/3	100%

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

(iv) Investment Committee ("IC") and Group Investment Committee ("GIC")

Effective from 1 January 2022, the Company is advised by the GIC of MNRB. 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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Board Committees (cont'd.)

(iv) Investment Committee ("IC") and Group Investment Committee ("GIC") (Cont'd.)

Dato' Amirudin Abdul Halim was appointed to represent the Company as member in the GIC.

The IC comprises one (1) INED, one (1) NINEC and one (1) NIED.

During the financial year until 31 December 2021, three(3) IC meetings were held. Details of the IC Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Dato' Amirudin Abdul Halim <i>(Appointed as Chairman with effect from 1 November 2021 and resigned with effect from 1 January 2022)</i>	1/1	100%
Hijah Arifakh Othman <i>(Resigned as Chairman with effect from 1 October 2021)</i>	2/2	100%
<u>Members</u>		
Datuk Johar Che Mat <i>(Ceased as member with effect from 1 January 2022)</i>	3/3	100%
Zaharudin Daud <i>(Ceased as member with effect from 1 January 2022)</i>	2/3	67%
Datuk Nik Moustpha Nik Hassan <i>(Resigned as member with effect from 23 September 2021)</i>	2/2	100%

(v) The Information Technology Oversight Committee

The Board is advised by the Information Technology Oversight Committee ("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) Non-Executive Directors with the majority of whom are independent. The ITOC is chaired by an INED.

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Group Shariah Committee

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

The establishment of GSC is in compliance with IFSA 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 consist of five (5) members with the majority of members are Shariah qualified person that fulfilled the requirement of BNM's PD SG under paragraph 12.2.

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

- Providing a decision or advice to the Company's 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 seven (7) GSC meetings were held during the financial year. Details of the GSC members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Assoc. Prof. Dr. Said Bouheraoua <i>(Appointed as Chairman with effect from 1 November 2021)</i>	7/7	100%
Prof. Dato' Dr. Ahmad Hidayat Buang <i>(Resigned as Chairman with effect from 13 July 2021)</i>	1/1	100%
<u>Members</u>		
Dr. Shamsiah Mohamad	7/7	100%
Shahrir Sofian	7/7	100%
Sahibus Samahah Datuk Dr. Luqman Haji Abdullah	5/7	71%
Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'Im Haji Mokhtar <i>(Appointed as member with effect from 1 April 2021)</i>	7/7	100%

Key information on each of the GSC member is set out under the section 'Group Shariah Committees Members Profile' on pages 46 to 48.

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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(Incorporated in Malaysia)**

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 and 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.

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

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 49.

(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 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 2022 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.

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

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 2022.
- 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"), oversees risk governance at the Company and assists 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.

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

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") is 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.

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

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 Audit Committee complements the oversight role of the Board by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an independent Internal Audit Department ("IAD") in performing its role.
- The internal audit function of the Company is undertaken by the IAD established at the Group level. The department reports directly to the Audit Committee of the Company.
- The IAD performs regular reviews of the business processes of the Company to assess the adequacy and effectiveness of governance, risk management and internal controls.
- 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 Company's evolving business and its regulatory environment, while also taking into consideration inputs of Senior Management and the Audit Committee.
- The Audit Committee meets 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 Company's internal control system. The Audit Committee has active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the Audit Committee during the year are highlighted in the Audit Committee Reports of the Company.

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

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 Audit Committee 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.

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

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").

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

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 Audit Committee 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
(Incorporated in Malaysia)**

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.

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

Board of Directors' profile

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

Male, Malaysian, an Independent Non-Executive Chairman since 30 November 2018 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-five (35) 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. In 2012, he was designated as the Board representative of Amanah Raya Berhad. He is also a Director of, MBSB Bank Berhad, Dagang NeXchange Berhad, Ping Petroleum Ltd and Motordata Research Consortium Sdn. Bhd. ("MRC"). On 3 January 2019, he was appointed as Independent Non-Executive Chairman/Director of Takaful Ikhlas Family Berhad and was subsequently re-designated as Non-Independent Non-Executive Chairman of Takaful Ikhlas Family Berhad effective from 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 from 5 January 2020. He attended all nine (9) Board Meetings held in the financial year.

Zaharudin Daud, Non-Independent Executive Director

Male, Malaysian, a Non-Independent Executive Director since 23 November 2020. He is the President and Group Chief Executive Officer of MNRB Holdings Berhad. He obtained Advanced Diploma in Business Studies from Institut Teknologi Mara and is an Associate of The Chartered Insurance Institute (ACII) since 1992. He started his career in an insurance Broking house and has exposures in Sales and Marketing, Operations, Retail Underwriting and Product Design in his thirty (30) years' experience in the general insurance business. He was also the Management Committee member of the Persatuan Insuran Am Malaysia (PIAM) and Life Insurance Association of Malaysia ("LIAM") until 2018, and was also a Board member of ISM Insurance Services Malaysia Berhad ("ISM") until August 2020. In early 2010, he was redeployed to Singapore to be the Principal Officer of Etiqa Singapore before returning to Malaysia to assume the position of the Chief Executive Officer of Etiqa Insurance Berhad in September 2014. Prior to joining MNRB Group, he was the Chief Executive Officer of Etiqa General Takaful Berhad from January 2018 to August 2020. He was also appointed as a Director of Malaysian Reinsurance Berhad and Takaful Ikhlas 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 attended all the nine (9) Board Meetings held in the financial year.

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

Board of Directors' profile (cont'd.)

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. 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 July 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.

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 of the Board and Permanent Invitee of the GIC. 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 career 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. Currently, he is a Director of Bank Simpanan Nasional Berhad. He attended all nine (9) Board meetings held during the financial year since his appointment date.

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

Board of Directors' profile (cont'd.)

Rosinah Mohd Salleh, Independent Non-Executive Director

Female, Malaysian, a Director since the incorporation of the Company. She was then re-designated as an Independent Non-Executive Director on 30 November 2018. She is a member of Risk Management Committee of the Board. She obtained a Bachelor of Laws (LLB) Degree from University of Kent at 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 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 from 1 January 2017 until 30 September 2019. She attended all nine (9) Board Meetings held in the financial year.

Woon Tai Hai, Independent Non-Executive Director

Male, Malaysian, an Independent Non-Executive Director since 1 October 2019. He is a member of the Risk Management Committee of the Board. He also chairs the IT Oversight Committee (ITOC) advising the Board on IT related matters. He obtained a Masters 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-six (36) years in 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 Chief Information Officer and Chief Knowledge Officer before he retired in 2013. Over the sixteen (16) years tenure with KPMG, he was admitted into the partnership and led multi-disciplinary (including cross regional engagements) team in assisting multi-national companies, small and medium enterprises, Government Ministries and Agencies and local clientele. Post retirement he was appointed as Executive Director of BDO Consulting, where he continued as a Management Consultant for clients in IT and operational improvement, and also led a team in successfully developed a Big Data Analytic framework for a key local Government agency. In 2017, Woon opted for an early retirement from BDO Consulting to pursue other areas of interests and during the year in 2018 he was appointed as Advisor, Committee Member and Board Member respectively to the National Tech Industry Association, National Productivity Corporation and Malaysia Australia Business Council (MABC). He was also appointed as a Director of Takaful Ikhlas Family Berhad effective 1 September 2019. He attended all the nine (9) Board Meetings held in the financial year.

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

Board of Directors' profile (cont'd.)

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 completed his Ph.D in Contemporary Islamic Studies from Universiti Teknologi MARA in 2022 . 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 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 attended all four (4) Board meetings held in the financial year since his appointment date.

Group Shariah Committee Members' profile

Assoc. Prof. Dr. Said Bouheraoua

Male, Algerian. Appointed as the Group Shariah Committee member on 2nd November 2015. Shariah Committee member for Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad) since 1st April 2011 until its dissolution on 2 November 2015. He completed his Ph.D in Islamic Law (Shariah), from the International Islamic University Malaysia (IIUM), Malaysia. He is a member of the Shariah Committee at Affin Islamic Bank Berhad. He is a Director of Affin Islamic Bank Berhad and also a member of Higher Shariah Committee at the Central Bank of the Oman Sultanate. He is also a Chairman of Shariah Committee of SunTrust Bank Nigeria and Trust Bank Amanah Suriname.

He was also an Associate Professor at Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM. He is currently a Director of Research, Development and innovation Department at the International Shariah Research Academy for Islamic Finance (ISRA) and the editor-in-chief of ISRA International Journal of Islamic Finance. He has published several books and articles in international referred journals throughout his career as Lecturer/Researcher. He has also presented papers in international conferences and conducted training sessions in Islamic Finance in Malaysia and abroad.

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

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

Dr. Shamsiah Mohamad

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

She was also a Shariah Advisory Council of Bank Negara Malaysia (BNM) from 2013 to 2019, specialising in Islamic Transaction.

Shahrir Sofian

Male, Malaysian. Appointed as a Group Shariah Committee member on 3 November 2020. Obtained his Master in Actuarial Science (with distinction) at City University, London. He also holds a double degree in Economics and Islamic Studies (majoring in Shariah) from local universities. He had serve in various departments with Bank Negara Malaysia (BNM) since 1987. He served as Manager in the Financial Sector Development Department and Manager of Insurance Development Department of BNM. He also managed and led the compliance review processes. He was involved in the formulation of Balance Score Card for Life Insurance/Family Takaful Agents under the Life Insurance and Family Takaful 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.

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

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

Sahibus Samahah 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 Nassiyyah).

Yang Amat Arif Dato' Setia Dr. Haji Mohd. Na'Im Haji Mokhtar

Male, Malaysian. Appointed as the Group Shariah Committee member on 1 April 2021. Graduated with a Bachelor of Laws (LLB) from International Islamic University, Malaysia (IIUM). Obtained Masters in Laws (LLM) from University of London United Kingdom, and a Doctor of Philosophy (PhD) in Syariah from National University of Malaysia (UKM). YAA Dato' Setia Dr. is currently presiding as the Chief Justice of Syariah Courts as well as Director General of Department of Syariah and Judiciary Malaysia since 1 April 2019. YAA Dato' Setia was honoured by being appointed as a Member of the Selangor Royal Council from December 2019 to November 2022. He also being appointed as a Committee Member of the Islamic Religious Council of the Federal Territory of the session begins February 2021 until February 2024. He was chosen and served as Malaysian Cheavening Visiting Fellow at Oxford Centre For Islamic Studies, Oxford University, United Kingdom for 2008/2009 and as Visiting Fellow at Harvard Law School, Harvard University, USA for 2012/2013.

YAA Dato' Setia Dr. has participated in many local and international seminars on his subject areas of specialization.

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement by Directors

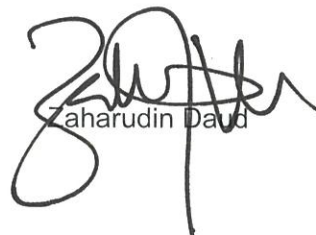
Pursuant to Section 251(2) of the Companies Act, 2016

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 56 to 192 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 2022 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 15 June 2022.



Datuk Johar Che Mat



Zaharudin Daud


Kuala Lumpur, Malaysia

Statutory Declaration

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

I, Muhammad Ridzuan Ismail (MIA membership no. 26059), 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 56 to 192 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 Muhammad Ridzuan Ismail
at Kuala Lumpur in Wilayah Persekutuan
on 15 June 2022



Muhammad Ridzuan Ismail

Before me,

Commissioner for Oaths

Lot 333, 3rd Floor
Wisma New Asia
Jalan Raja Chulan
50200 Kuala Lumpur



Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Report of the Group Shariah Committee

بسم الله الرحمن الرحيم

In the name of Allah, the Most Beneficent, the Most Merciful

We, Assoc. Prof. Dr. Said Bouheraoua 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 2022. 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 2022 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;

Takaful Ikhlas General Berhad
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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 2022 have been conducted in conformity with the principles of Shariah.

Signed on behalf of the Group Shariah Committee.



Assoc. Prof. Dr. Said Bouheraoua



Shahrir Sofian

Kuala Lumpur, Malaysia
15 June 2022

201701019705 (1233870-A)

**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 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 March 2022, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 56 to 192.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, 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.

201701019705 (1233870-A)

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
15 June 2022



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 2022

	2022			2021		
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
Gross earned contributions	4(a) -	493,392	493,392	-	419,487	419,487
Earned contributions ceded to retakaful	4(b) -	(186,054)	(186,054)	-	(174,333)	(174,333)
Net earned contributions	-	307,338	307,338	-	245,154	245,154
Investment income	5 7,668	16,794	24,462	7,789	17,257	25,046
Realised gains	6 826	2,860	3,686	1,888	2,644	4,532
Fair value (losses)/gains	7 (508)	(1,085)	(1,593)	591	2,832	3,423
Fee and commission income	8 195,153	42,513	42,513	175,581	38,682	38,682
Other operating income	12 262	7,658	7,920	443	-	-
Other revenue	203,401	68,740	76,988	186,292	61,415	71,683
Gross claims paid	-	(214,448)	(214,448)	-	(158,765)	(158,765)
Claims ceded to retakaful	-	112,639	112,639	-	63,989	63,989
Gross change to certificate liabilities	-	(100,326)	(100,326)	-	(18,564)	(18,564)
Change in certificate liabilities ceded to retakaful	-	49,099	49,099	-	6,386	6,386
Net claims and benefits	-	(153,036)	(153,036)	-	(106,954)	(106,954)
Fee and commission expenses	9 (61,900)	(195,153)	(61,900)	(55,167)	(175,581)	(55,167)
Management expenses	10 (92,366)	-	(92,366)	(81,056)	-	(81,056)
Finance costs	18 (189)	-	(189)	(164)	-	(164)
Other operating expenses	12 -	-	-	-	(6,301)	(5,858)
Change in expense liabilities	13 (5,203)	-	(5,203)	(9,755)	-	(9,755)
Tax borne by participants	14 -	(5,374)	(5,374)	-	(1,861)	(1,861)
Other expenses	(159,658)	(200,527)	(165,032)	(146,142)	(183,743)	(153,861)

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of comprehensive income (cont'd.)
For the year ended 31 March 2022

	2022			2021		
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
Operating profit	43,744	22,515	66,259	40,150	15,872	56,022
Surplus attributable to participants	-	(22,515)	(22,515)	-	(15,872)	(15,872)
Profit before zakat and taxation	43,744	-	43,744	40,150	-	40,150
Zakat	(843)	-	(843)	(703)	-	(703)
Taxation	(10,039)	-	(10,039)	(12,019)	-	(12,019)
Net profit for the year	32,862	-	32,862	27,428	-	27,428
Basic earnings per share (sen)	29		14.3			11.9

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of comprehensive income (cont'd.)
For the year ended 31 March 2022

	2022			2021		
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	32,862	-	32,862	27,428	-	27,428
Other comprehensive income:						
Items that may be subsequently reclassified to income statement:						
Net loss on financial assets at Fair Value through Other Comprehensive Income ("FVOCI"):						
- Fair value changes	(2,478)	(4,764)	(7,242)	(553)	(596)	(1,149)
- Transferred to profit or loss upon disposal	6 (244)	(394)	(638)	(910)	(2,209)	(3,119)
Tax effects relating to components of other comprehensive income	19 653	1,238	1,891	351	673	1,024
Other comprehensive loss attributable to participants	-	3,920	3,920	-	2,132	2,132
Total comprehensive income for the year	30,793	-	30,793	26,316	-	26,316

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 2022

		2022			2021		
	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	397	-	397	207	-	207
Intangible assets	17	10,637	-	10,637	7,773	-	7,773
Right-of-use assets	18	3,430	-	3,430	2,559	-	2,559
Deferred tax assets	19	14,754	5,836	20,590	12,639	7,244	19,883
Financial assets	20	319,234	670,735	949,334	319,331	541,114	842,256
Retakaful certificate assets	22	-	259,972	259,972	-	200,313	200,313
Takaful certificate receivables	21	-	68,044	68,044	-	75,211	75,211
Cash and bank balances		3,376	7,167	10,543	1,464	8,173	9,637
Total assets		351,828	1,011,754	1,322,947	343,973	832,055	1,157,839
Liabilities							
Takaful certificate liabilities	22	-	672,298	672,298	-	549,235	549,235
Expense liabilities	23	51,391	-	51,391	46,188	-	46,188
Takaful certificate payables	24	-	59,657	59,657	-	49,349	49,349
Lease liabilities	18	3,511	-	3,511	2,685	-	2,685
Zakat payable		1,336	-	1,336	929	-	929
Tax payable		4,895	-	4,895	5,708	61	5,769
Other payables	25	16,056	109,219	84,640	23,617	73,425	78,853
Total liabilities		77,189	841,174	877,728	79,127	672,070	733,008
Participants' fund							
General takaful fund	28	-	170,580	170,580	-	159,985	159,985
Equity							
Share capital	26	230,000	-	230,000	230,000	-	230,000
Reserves	27	44,639	-	44,639	34,846	-	34,846
Total equity		274,639	-	274,639	264,846	-	264,846
Total liabilities, participants' funds and equity							
		351,828	1,011,754	1,322,947	343,973	832,055	1,157,839

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

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Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 March 2022

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 2020		230,000	1,346	22,184	253,530
Net profit for the year		-	-	27,428	27,428
Other comprehensive loss for the year		-	(1,112)	-	(1,112)
Total comprehensive (loss)/income for the year		-	(1,112)	27,428	26,316
Dividend paid	34	-	-	(15,000)	(15,000)
At 31 March 2021		230,000	234	34,612	264,846
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

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 2022

	Note	2022 RM '000	2021 RM '000
Cash flows from operating activities			
Profit before zakat and taxation		43,744	40,150
Adjustments for:			
Depreciation of equipment	10	96	65
Depreciation of right-of-use assets	10	1,813	2,218
Finance costs on lease liabilities	18	189	164
Amortisation of intangible assets	10	1,027	845
Net amortisation of premiums	5	1,416	1,647
Profit income	5	(23,950)	(25,472)
Dividend income	5	(1,986)	(1,262)
Fair value adjustments of financial assets at fair value through profit or loss ("FVTPL")	7	1,593	(3,423)
(Writeback of impairment)/impairment loss of financial assets at FVOCI	12	(102)	49
Realised gain on disposal of investments	6	(3,686)	(4,532)
(Writeback of)/allowance for impairment of takaful certificate receivables	12	(6,136)	7,043
Surplus transferred to general takaful fund	28	22,515	15,872
Operating cash flows before working capital changes		36,533	33,364
Changes in working capital:			
Net purchase of financial assets		(60,357)	(14,508)
Increase in placement of Islamic investment accounts		(42,626)	(81,265)
(Increase)/decrease in staff financing		(382)	523
Increase in retakaful certificate assets		(59,659)	(6,898)
Decrease/(increase) in takaful certificate receivables		13,304	(37,074)
Increase in other receivables and deposits		(1,127)	(2,469)
Net change in balance with related companies		(4,064)	1,127
Increase in gross claims liabilities		100,326	18,564
Increase in gross contribution liabilities		22,739	49,294
Increase in expense liabilities		5,203	9,755
Increase in takaful certificate payables		10,308	16,349
Increase in zakat, tax and other payables		5,574	5,981
Operating cash flows after working capital changes		25,772	(7,257)

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

Statement of cash flows (cont'd.)
For the year ended 31 March 2022

		2022	2021
		RM '000	RM '000
Cash flows from operating activities (cont'd.)			
Operating cash flows after working capital changes (cont'd.)		25,772	(7,257)
Profit income received		21,818	26,398
Finance cost paid on lease liabilities	18	(189)	(164)
Dividend income received		2,247	1,421
Surplus paid to participants		(6,210)	(2,934)
Income tax paid		(15,107)	(19,740)
Zakat paid		(436)	(439)
Net cash generated from/(used in) operating activities		27,895	(2,715)
Cash flows from investing activities			
Purchase of equipment	16	(286)	(19)
Purchase of intangible assets	17	(3,891)	(7,495)
Payment of principal portion of lease liabilities	18	(1,812)	(2,251)
Net cash used in investing activities		(5,989)	(9,765)
Cash flows from financing activity			
Dividend paid	34	(21,000)	(15,000)
Net cash used in financing activities		(21,000)	(15,000)
Net increase/(decrease) in cash and cash equivalents		906	(27,480)
Cash and cash equivalents at beginning of year		9,637	37,117
Cash and cash equivalents at end of year		10,543	9,637
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		3,376	1,464
General takaful fund		7,167	8,173
		10,543	9,637

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 2022

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 9th Floor, IKHLAS Point, Tower 11A, Avenue 5, Bangsar South, No. 8, Jalan Kerinchi, 59200 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 266 (2021: 236).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 June 2022.

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 2021 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.

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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.

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 56 to 58 and page 59 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.

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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.
- 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.

Takaful Ikhlas General Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

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.

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.

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2. Significant accounting policies (cont'd.)

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.

(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.

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2. Significant accounting policies (cont'd.)

2.4 General takaful underwriting results (cont'd.)

(ii) Contribution liabilities (cont'd.)

(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.

(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.

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2. Significant accounting policies (cont'd.)

2.4 General takaful underwriting results (cont'd.)

(iii) Claim liabilities (cont'd.)

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.

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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, 50% of the UWF is recognised in the financial year in which the certificates are issued. The remaining 50% of the UWF is transferred to the UWF reserves and is recognised in the following financial year.

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2. Significant accounting policies (cont'd.)

2.5 Shareholder's fund (cont'd.)

(ii) Expense liabilities (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.

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2. Significant accounting policies (cont'd.)

2.6 Product classification (cont'd.)

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.

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.

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2. Significant accounting policies (cont'd.)

2.7 Retakaful (cont'd.)

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.

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.

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2. Significant accounting policies (cont'd.)

2.8 Equipment and depreciation (cont'd.)

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

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.

(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:

Computer equipment	33.3%
Motor vehicles	20%
Furniture, fittings and office equipment	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.

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2. Significant accounting policies (cont'd.)

2.8 Equipment and depreciation (cont'd.)

(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.

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.

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2. Significant accounting policies (cont'd.)

2.9 Intangible assets (cont'd.)

(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 six (6) years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each financial year end.

(iii) Preferred partnership fee

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

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

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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;

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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

- 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.

(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.

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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.)

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

Profit income is recognised using the effective profit method for 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.

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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

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.

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.

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2. Significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

Recognition and measurement (cont'd.)

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

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.

(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.

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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 (cont'd.)

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Specifically (cont'd.):

- 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.

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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.

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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.

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2. Significant accounting policies (cont'd.)

2.10 Financial assets (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.

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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.

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

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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").

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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.

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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.

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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 2021.

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16

Interest Rate Benchmark Reform - Phase 2

Amendments to MFRS 16 Leases

Covid-19 - Related Rent Concessions beyond 30 June 2021

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
Annual Improvements to MFRS Standards 2018–2020	
i) MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	
ii) MFRS 9 <i>Financial Instruments</i>	
iii) MFRS 16 <i>Leases</i>	
iv) MFRS 141 <i>Agriculture</i>	1 January 2022
Amendments to MFRS 3 <i>Business Combinations</i> (<i>Reference to Conceptual Framework</i>)	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i>	1 January 2022
Amendments to MFRS 137	
<i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2022
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> <i>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</i> Initial <i>Application of MFRS 17 and MFRS 9</i> <i>- Comparative Information</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in</i> <i>Accounting Estimates and Errors - Definition of</i> <i>Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes</i> <i>Deferred Tax</i> <i>related to Assets and Liabilities arising</i> <i>from Single Transaction</i>	1 January 2023
Amendments to MFRS 10 <i>Consolidated Financial</i> <i>Statements and MFRS 128 Investment in Associates</i> <i>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 will replace MFRS 4 *Insurance Contracts* issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every financial year (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in the income statements over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in the income statements over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The presentation of insurance revenue and insurance service expenses in the income statements will be based on the concept of services provided during the period;
- Amounts that the policyholders will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statements, but are recognised directly in the statement of financial position;
- Insurance service results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these 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)

The Malaysian Accounting Standards Board issued a paper titled MFRS 17 *Insurance Contracts*: Definition and Scope for Takaful. The paper concluded that MFRS 17 is applicable to a Takaful contract because:

- MFRS 17 applies to those contracts that fall within the 'insurance contract' definition, regardless of their legal form or the legal form of the issuing entity. Accordingly, takaful contracts would fall within the scope of MFRS 17 because a takaful fund or entity is separate from the participants (takaful policyholders) and the fund or entity is accepting significant insurance risk from the participants in the same way that a mutual conventional insurer accepts significant insurance risk from its policyholders. As MFRS 17 deems that a mutual entity accepts insurance risk, it is considered that the mutuality aspect of takaful contracts is consistent with takaful entity also accepting insurance risk.
- In the context of MFRS 17, insurance risk is being transferred from participants (takaful policyholders) to another entity – either represented by the takaful fund or funds or the takaful operator as the entity managing the insurance business as a whole.
- The acceptance of significant insurance risk need not be a direct, overt acceptance but may result from the presence of factors and circumstances indicating that insurance risk has been transferred. This is consistent with the objective of MFRS 17 that considers an entity's substantive rights and obligations when applying MFRS 17.

As a result of the above, the Company has assessed the takaful contracts issued and concluded that MFRS 17 is applicable. Consequently, the Company has established a project team with the assistance from consultants to plan and manage the MNRB Group wide implementation of MFRS 17. The Company is in the midst of implementing the relevant systems solution, architecture and processes to ensure compliance to the said standard.

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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:

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.

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

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

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.

(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.

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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.)

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.

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

	2022	2021
General takaful fund and Company	RM '000	RM '000
(a) Gross earned contributions		
Gross contributions	516,129	468,782
Increase in contribution liabilities	(22,737)	(49,295)
	<u>493,392</u>	<u>419,487</u>
(b) Earned contributions ceded to retakaful		
Contributions ceded to retakaful	(196,614)	(174,845)
Decrease in contribution liabilities	10,560	512
	<u>(186,054)</u>	<u>(174,333)</u>
Net earned contributions	<u>307,338</u>	<u>245,154</u>

5. Investment income

	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>

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5. Investment income (cont'd.)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2021			
Financial assets at FVTPL:			
- Dividend income from:			
Quoted Shariah approved equities in Malaysia	292	909	1,201
Real estate investment trusts	37	24	61
Financial assets at FVOCI:			
Profit income	6,678	12,495	19,173
Financial assets at amortised cost:			
Profit income	1,601	4,698	6,299
Net amortisation of premiums	(819)	(828)	(1,647)
Investment expenses	-	(41)	(41)
	<u>7,789</u>	<u>17,257</u>	<u>25,046</u>

6. Realised gains

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2022			
Financial assets at FVTPL:			
Quoted Shariah approved equities in Malaysia	<u>582</u>	<u>2,466</u>	<u>3,048</u>
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>

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6. Realised gains (cont'd.)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2021			
Financial assets at FVTPL:			
Quoted Shariah approved equities in Malaysia	919	435	1,354
Real estate investment trusts	59	-	59
	<u>978</u>	<u>435</u>	<u>1,413</u>
Financial assets at FVOCI:			
Government investment issues	910	1,077	1,987
Unquoted sukuk	-	1,132	1,132
	<u>910</u>	<u>2,209</u>	<u>3,119</u>
	<u>1,888</u>	<u>2,644</u>	<u>4,532</u>

7. Fair value (losses)/gains

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2022			
Financial assets at FVTPL	<u>(508)</u>	<u>(1,085)</u>	<u>(1,593)</u>
2021			
Financial assets at FVTPL	<u>591</u>	<u>2,832</u>	<u>3,423</u>

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8. Fee and commission income

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
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>
2021			
Wakalah fee income from general takaful fund	170,581	-	-
Surplus administration charges earned from general takaful fund	5,000	-	-
Retakaful commission income	-	38,682	38,682
	<u>175,581</u>	<u>38,682</u>	<u>38,682</u>

9. Fee and commission expenses

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
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>
2021			
Wakalah fee expenses	-	(170,581)	-
Surplus administration charges payable	-	(5,000)	-
Commissions paid to agents	(55,167)	-	(55,167)
	<u>(55,167)</u>	<u>(175,581)</u>	<u>(55,167)</u>

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10. Management expenses

Shareholder's fund and Company

	2022	2021
	RM '000	RM '000
Staff costs:		
Salaries, bonus, and other related costs	23,968	21,874
President & CEO, Directors and GSC members' remuneration (Note 11)	1,957	1,876
Pension costs - Employees Provident Fund ("EPF")	3,845	3,505
Social security costs	276	197
Short-term accumulating compensated absences	184	453
Other staff expenses	3,258	2,888
	<u>33,488</u>	<u>30,793</u>
Auditors' remuneration		
- audit fees	298	368
- regulatory related fees	20	20
- other services	78	26
Expenses relating to leases (Note 18(c))	625	140
Amortisation of intangible assets (Note 17)	1,027	845
Depreciation of equipment (Note 16)	96	65
Depreciation of right-of-use assets (Note 18(a))	1,813	2,218
Management fees paid to holding and related companies	13,243	4,788
Professional and legal fees	3,950	5,084
Marketing and promotional costs	24,846	26,310
Electronic data processing costs	6,729	6,091
Other expenses	6,153	4,308
	<u>92,366</u>	<u>81,056</u>

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

Shareholder's fund and Company		2022	2021
		RM '000	RM '000
(a) President & CEO's remuneration:			
Salary and bonus		719	621
Pension costs - EPF		112	93
Benefits-in-kind		24	25
Others		111	98
		<u>966</u>	<u>837</u>
Total President & CEO's remuneration excluding benefits-in-kind	A	<u>942</u>	<u>812</u>
(b) Executive Directors' remuneration:			
Fees		-	39
Allowances and other emoluments		-	9
	B	<u>-</u>	<u>48</u>
(c) Non-executive Directors' remuneration:			
Fees		726	740
Allowances and other emoluments		210	201
	B	<u>936</u>	<u>941</u>
(d) GSC members' remuneration:			
Fees		59	59
Allowances and other emoluments		20	16
	C	<u>79</u>	<u>75</u>
Total remuneration of President & CEO, Directors and GSC members excluding benefits-in-kind	A+B+C	<u>1,957</u>	<u>1,876</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 2022	Number of Directors 2021
Executive Directors:		
Up to RM50,000	1	2
Non-executive Directors:		
RM50,001 to RM100,000	4	-
RM100,001 to RM150,000	5	6
RM150,001 to RM200,000	-	1

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

2022

President & CEO:

Dato' Rodzlia @ Rudy Che Lamin (Appointed with effect from 30 November 2021)
Eddy Azly Abidin (Resigned with effect from 30 November 2021)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Others RM'000	Total** RM'000
	225	-	38	16	279
	494	-	74	95	663
	<u>719</u>	<u>-</u>	<u>112</u>	<u>111</u>	<u>942</u>

Executive Directors:

Zaharudin Daud*

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Non-executive Directors:

Datuk Johar Che Mat
Arul Sothy Mylvaganam
Dato' Amirudin Abdul Halim
Rosinah Mohd Salleh
Woon Tai Hai
Dr. Wan Zamri Wan Ismail (Appointed with effect from 1 October 2021)
Datuk Nik Moustpha Nik Hassan (Retired with effect from 23 September 2021)
George Oommen (Resigned with effect from 1 October 2021)
Hijah Arifakh Othman (Resigned with effect from 1 October 2021)

	-	115	-	33	148
	-	105	-	29	134
	-	103	-	30	133
	-	100	-	30	130
	-	100	-	27	127
	-	54	-	17	71
	-	47	-	15	62
	-	52	-	14	66
	-	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>
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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
	-	59	-	20	79
Total remuneration of President & CEO, Directors and GSC members	719	785	112	341	1,957

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

** 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
2021					
President & CEO:					
Eddy Azly Abidin	621	-	93	98	812
Executive Director:					
Zaharudin Daud (Appointed with effect from 23 November 2020)*	-	-	-	-	-
Mohd Din Merican (Retired with effect from 22 September 2020)	-	39	-	9	48
Non-executive Directors:					
Datuk Johar Che Mat	-	121	-	33	154
Rosinah Mohd Salleh	-	104	-	29	133
Datuk Nik Moustpha Nik Hassan	-	99	-	26	125
George Oommen	-	104	-	29	133
Arul Sothy Mylvaganam	-	109	-	29	138
Hijah Arifakh Othman	-	99	-	26	125
Woon Tai Hai	-	104	-	29	133
	-	740	-	201	941
Total Directors' remuneration	-	779	-	210	989

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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
2021 Cont'd.)					
GSC members:					
Prof. Dato' Dr. Haji Ahmad Hidayat Buang	-	12	-	3	15
Dr. Said Bouheraoua	-	12	-	3	15
Dr. Shamsiah Mohamad (Appointed with effect from 3 November 2020)	-	4	-	2	6
Sahibus Samahah Datuk Dr. Luqman Haji Abdullah (Appointed with effect from 3 November 2020)	-	4	-	1	5
Shahrir bin Sofian (Appointed with effect from 3 November 2020)	-	4	-	1	5
Dr. Syed Musa Syed Jaafar Alhabshi (Retired with effect from 3 November 2020)	-	6	-	2	8
Datuk Nik Moustpha Nik Hassan (Retired with effect from 3 November 2020)	-	6	-	2	8
Dr. Muhammad Naim Omar (Retired with effect from 3 November 2020)	-	6	-	1	7
Dr. Mohamed Fairouz Abdul Khir (Retired with effect from 3 November 2020)	-	5	-	1	6
	-	59	-	16	75
Total remuneration of President & CEO, Directors and GSC members	621	838	93	324	1,876

* The Executive Director, Zaharudin Daud is not entitled to Directors remuneration in financial year ended 31 March 2021.

** 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
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
Impairment recovery on financial assets at FVOCI	36	66	102
	<u>262</u>	<u>7,658</u>	<u>7,920</u>
2021			
Miscellaneous income	135	819	954
Management income in relation to business transfer	321	-	321
Allowance for impairment losses on:			
Takaful certificate receivables	-	(7,043)	(7,043)
Other receivables	-	(41)	(41)
Impairment on financial assets at FVOCI	(13)	(36)	(49)
	<u>443</u>	<u>(6,301)</u>	<u>(5,858)</u>

13. Change in expense liabilities

	2022 RM '000	2021 RM '000
Shareholder's fund and Company		
Increase in unearned wakalah fees reserve	<u>5,203</u>	<u>9,755</u>

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14. Tax borne by participants

General takaful fund and Company	2022 RM '000	2021 RM '000
Current income tax:		
Current year's provision	4,713	4,427
Overprovision of tax expense in prior year	(1,985)	(167)
	<u>2,728</u>	<u>4,260</u>
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	3,945	(2,399)
Overprovision of deferred tax in prior year	(1,299)	-
	<u>2,646</u>	<u>(2,399)</u>
Tax borne by participants	<u>5,374</u>	<u>1,861</u>

Domestic income tax for general takaful fund is calculated at the Malaysian statutory tax rate of 24% (2021: 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	2022 RM '000	2021 RM '000
Surplus before taxation of the general takaful fund	<u>27,889</u>	<u>17,733</u>
Taxation at Malaysian statutory tax rate	6,693	4,256
Hibah deducted for tax purposes	(126)	(1,936)
Income not subject to tax	(375)	(218)
Utilisation of capital allowances allocated from the shareholder's fund	(132)	(74)
Overprovision of deferred tax income in prior year	1,299	-
Overprovision of tax expense in prior year	(1,985)	(167)
Tax borne by participants	<u>5,374</u>	<u>1,861</u>

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15. Taxation

Shareholder's fund and Company	Shareholder's fund RM '000	Company RM '000
2022		
Current income tax:		
Current year's provision	12,375	17,088
Overprovision of tax expense in prior year	(874)	(2,859)
	<u>11,501</u>	<u>14,229</u>
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	(1,125)	1,184
Overprovision of deferred tax in prior year	(337)	-
Tax borne by participants (Note 14)	-	(5,374)
Tax expense for the year	<u>10,039</u>	<u>10,039</u>
2021		
Current income tax:		
Current year's provision	13,882	18,309
Overprovision of tax expense in prior year	938	771
	<u>14,820</u>	<u>19,080</u>
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	(2,801)	(5,200)
Tax borne by participants (Note 14)	-	(1,861)
Tax expense for the year	<u>12,019</u>	<u>12,019</u>

Domestic income tax for Shareholder's fund and Company is calculated at the Malaysian statutory tax rate of 24% (2021: 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	2022 RM '000	2021 RM '000
Profit before taxation	<u>43,744</u>	<u>40,150</u>
Taxation at Malaysian statutory tax rate	10,498	9,636
Income not subject to tax	(170)	(170)
Expenses not deductible for tax purposes	922	1,615
Overprovision of deferred tax income in prior year	(337)	-
(Over)/under provision of tax expense in prior year	(874)	938
Tax expense for the year	<u>10,039</u>	<u>12,019</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 2020	22	48	228	298
Additions during the year	12	7	-	19
At 31 March 2021	34	55	228	317
Additions during the year	260	26	-	286
At 31 March 2022	294	81	228	603
Accumulated depreciation				
At 1 April 2020	3	4	38	45
Charge for the year (Note 10)	11	8	46	65
At 31 March 2021	14	12	84	110
Charge for the year (Note 10)	41	9	46	96
At 31 March 2022	55	21	130	206
Net Book Value				
At 31 March 2022	239	60	98	397
At 31 March 2021	20	43	144	207

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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 2020	574	620	-	1,194
Additions during the year	3,185	210	4,100	7,495
Reclassification	(190)	190	-	-
At 31 March 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

Accumulated Amortisation

At 1 April 2020	-	71	-	71
Charge for the year (Note 10)	-	162	683	845
At 31 March 2021	-	233	683	916
Charge for the year (Note 10)	-	207	820	1,027
At 31 March 2022	-	440	1,503	1,943

Net Carrying Amount

At 31 March 2022	6,856	1,184	2,597	10,637
At 31 March 2021	3,569	787	3,417	7,773

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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 2020	7,686
Additions during the year	844
Lease derecognised during the year	(483)
At 31 March 2021	8,047
Additions during the year	3,393
Lease derecognised during the year	(6,767)
At 31 March 2022	4,673
Accumulated Depreciation	
At 1 April 2020	3,753
Charge for the year (Note 10)	2,218
Lease derecognised during the year	(483)
At 31 March 2021	5,488
Charge for the year (Note 10)	1,813
Lease derecognised during the year	(6,058)
At 31 March 2022	1,243
Net Carrying Amount	
At 31 March 2022	3,430
At 31 March 2021	2,559

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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 2020	4,092
Additions	844
Accretion of profit*	164
Payments	(2,415)
At 31 March 2021	2,685
Additions	3,383
Lease derecognised during the year	(745)
Accretion of profit*	189
Payments	(2,001)
At 31 March 2022	3,511

* The Company used a weighted average incremental borrowing rate at 4.43% (2021: 4.90%).

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18. Leases (cont'd.)

Company as a lessee (cont'd.)

(c) Amount recognised in the statements of comprehensive income

	2022	2021
Shareholder's fund and Company	RM '000	RM '000
Depreciation expense of ROU assets (Note 10)	1,813	2,218
Finance cost on lease liabilities	189	164
Expense relating to short-term leases	425	9
Expense relating to leases of low-value assets	200	131
Expenses relating to leases (Note 10)	625	140
Total amount recognised in profit or loss	<u>2,627</u>	<u>2,522</u>

(d) Cash and non-cash outflow for leases

	2022	2021
Shareholder's fund and Company	RM '000	RM '000
Payment of lease liabilities	(2,001)	(2,415)
Non-cash additions to ROU assets	3,383	844
	<u>1,382</u>	<u>(1,571)</u>

(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
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>
2021			
At 1 April 2020	9,487	4,172	13,659
Recognised in:			
Other comprehensive income	351	673	1,024
Profit or loss (Notes 14 and 15)	2,801	2,399	5,200
At 31 March 2021	<u>12,639</u>	<u>7,244</u>	<u>19,883</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
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>
2021			
Deferred tax assets	12,714	8,035	20,749
Deferred tax liabilities	(75)	(791)	(866)
	<u>12,639</u>	<u>7,244</u>	<u>19,883</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	Financial Assets 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	362	11,086	-	55	1,136	-	12,639
Recognised in fair value reserves	653	-	-	-	-	-	653
Recognised in statement of comprehensive income	217	1,249	-	(55)	51	-	1,462
At 31 March 2022	<u>1,232</u>	<u>12,335</u>	<u>-</u>	<u>-</u>	<u>1,187</u>	<u>-</u>	<u>14,754</u>
2021							
At 1 April 2020	93	8,721	-	63	436	174	9,487
Reclassification	-	-	-	-	174	(174)	-
Recognised in fair value reserves	351	-	-	-	-	-	351
Recognised in statement of comprehensive income	(82)	2,365	-	(8)	526	-	2,801
At 31 March 2021	<u>362</u>	<u>11,086</u>	<u>-</u>	<u>55</u>	<u>1,136</u>	<u>-</u>	<u>12,639</u>
General takaful fund							
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)	115	-	13	-	(1,019)	(1,755)	(2,646)
At 31 March 2022	<u>2,104</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>1,873</u>	<u>1,847</u>	<u>5,836</u>

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19. Deferred tax assets (cont'd.)

General takaful fund (cont'd.)

2021

	Financial Assets RM '000	Expense Liabilities RM '000	Contribution Liabilities RM '000	Lease RM '000	Payables RM '000	Receivables RM '000	Total RM '000
At 1 April 2020	636	-	(1)	-	1,707	1,830	4,172
Recognised in fair value reserves	673	-	-	-	-	-	673
Recognised in statement of comprehensive income (Note 14)	(558)	-	-	-	1,185	1,772	2,399
At 31 March 2021	751	-	(1)	-	2,892	3,602	7,244

Company

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)	332	1,249	13	(55)	(968)	(1,755)	(1,184)
At 31 March 2022	3,336	12,335	12	-	3,060	1,847	20,590

2021

At 1 April 2020	729	8,721	(1)	63	2,143	2,004	13,659
Reclassification	-	-	-	-	174	(174)	-
Recognised in fair value reserves	1,024	-	-	-	-	-	1,024
Recognised in statements of comprehensive income (Note 15)	(640)	2,365	-	(8)	1,711	1,772	5,200
At 31 March 2021	1,113	11,086	(1)	55	4,028	3,602	19,883

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20. Financial assets

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

	2022			2021		
	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 sukuk	104,763	181,761	286,524	83,146	196,156	279,302
Government investment issues	80,863	135,879	216,742	63,708	98,838	162,546
Quoted Shariah approved equities in Malaysi	8,253	26,073	34,326	7,222	29,718	36,940
Real estate investment trusts	780	809	1,589	836	859	1,695
Shariah approved unit trust funds	-	14,515	14,515	-	-	-
Islamic commercial papers	1,990	2,985	4,975	9,974	14,958	24,932
Islamic investment accounts with licensed:						
Islamic banks	70,716	235,688	306,404	129,139	126,721	255,860
Development banks	3,185	58,285	61,470	3,678	65,710	69,388
Staff financing:						
Receivable within 12 months	360	-	360	251	-	251
Receivable after 12 months	773	-	773	500	-	500
Due from general takaful fund *	40,635	-	-	18,189	-	-
Amount due from:						
Holding company *	4,041	-	4,041	378	-	378
Fellow subsidiary *	-	2,498	2,498	261	730	991
Income due and accrued	2,261	4,951	7,212	1,371	3,970	5,341
Sundry receivables and prepayments	614	7,291	7,905	678	3,454	4,132
	<u>319,234</u>	<u>670,735</u>	<u>949,334</u>	<u>319,331</u>	<u>541,114</u>	<u>842,256</u>
Financial assets at FVTPL (Note 20(a))	9,033	41,397	50,430	8,058	30,577	38,635
Financial assets at FVOCI (Note 20(b))	185,626	317,640	503,266	146,854	294,994	441,848
Financial assets at AC (Note 20(c))	124,575	311,698	395,638	164,419	215,543	361,773
	<u>319,234</u>	<u>670,735</u>	<u>949,334</u>	<u>319,331</u>	<u>541,114</u>	<u>842,256</u>

* 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 assets (cont'd.)

(a) Financial assets at FVTPL

At fair value:

- Mandatorily measured:

Quoted Shariah approved
equities in Malaysia

Real estate investment trusts

Shariah approved unit trust funds

	2022			2021		
	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
Quoted Shariah approved equities in Malaysia	8,253	26,073	34,326	7,222	29,718	36,940
Real estate investment trusts	780	809	1,589	836	859	1,695
Shariah approved unit trust funds	-	14,515	14,515	-	-	-
	<u>9,033</u>	<u>41,397</u>	<u>50,430</u>	<u>8,058</u>	<u>30,577</u>	<u>38,635</u>

(b) Financial assets at FVOCI

At fair value:

Unquoted sukuks

Government investment issues

	2022			2021		
	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	104,763	181,761	286,524	83,146	196,156	279,302
Government investment issues	80,863	135,879	216,742	63,708	98,838	162,546
	<u>185,626</u>	<u>317,640</u>	<u>503,266</u>	<u>146,854</u>	<u>294,994</u>	<u>441,848</u>

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20. Financial assets (cont'd.)

	2022			2021		
	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						
At amortised cost						
Islamic commercial papers	1,990	2,985	4,975	9,974	14,958	24,932
Islamic investment accounts with licensed:						
Islamic banks	70,716	235,688	306,404	129,139	126,721	255,860
Development banks	3,185	58,285	61,470	3,678	65,710	69,388
Staff financing:						
Receivable within 12 months	360	-	360	251	-	251
Receivable after 12 months	773	-	773	500	-	500
Due from general takaful fund *	40,635	-	-	18,189	-	-
Amount due from:						
Holding company *	4,041	-	4,041	378	-	378
Fellow subsidiary *	-	2,498	2,498	261	730	991
Income due and accrued	2,261	4,951	7,212	1,371	3,970	5,341
Sundry receivables	436	4,090	4,526	362	1,440	1,802
	<u>124,397</u>	<u>308,497</u>	<u>392,259</u>	<u>164,103</u>	<u>213,529</u>	<u>359,443</u>
Other assets:						
Prepayments	178	3,201	3,379	316	2,014	2,330
	<u>178</u>	<u>3,201</u>	<u>3,379</u>	<u>316</u>	<u>2,014</u>	<u>2,330</u>
	<u>124,575</u>	<u>311,698</u>	<u>395,638</u>	<u>164,419</u>	<u>215,543</u>	<u>361,773</u>

* 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 assets (cont'd.)

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

	2022			2021		
	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) Weighted average annual effective profit rate						
Islamic private debt securities	2.27%	3.24%	3.22%	2.50%	2.84%	2.73%
Loan receivable	0.61%	-	0.61%	0.42%	-	0.42%
Deposits with financial institution	1.84%	1.98%	1.95%	1.74%	1.87%	1.81%

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21. Takaful certificate receivables

General takaful fund and Company

	2022 RM '000	2021 RM '000
Due contributions including agents/brokers and co-takaful balances	60,240	65,462
Due from retakaful operators	17,276	25,357
	<u>77,516</u>	<u>90,819</u>
Allowance for impairment	(9,472)	(15,608)
	<u>68,044</u>	<u>75,211</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
2022			
Due from retakaful operators	<u>118,548</u>	<u>(101,272)</u>	<u>17,276</u>
2021			
Due from retakaful operators	<u>86,520</u>	<u>(61,163)</u>	<u>25,357</u>

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22. Takaful certificate liabilities

General takaful fund and Company

	Gross RM '000	Retakaful RM '000	Net RM '000
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)	426,015	(199,018)	226,997
Contribution liabilities (ii)	246,283	(60,954)	185,329
	<u>672,298</u>	<u>(259,972)</u>	<u>412,326</u>
2021			
Provision for claims reported by certificate holders	220,856	(105,523)	115,333
Provision for claims incurred but not yet reported ("IBNR")	70,818	(29,242)	41,576
Provision of Risk Margin for Adverse Deviation ("PRAD")	34,015	(15,154)	18,861
Claim liabilities (i)	325,689	(149,919)	175,770
Contribution liabilities (ii)	223,546	(50,394)	173,152
	<u>549,235</u>	<u>(200,313)</u>	<u>348,922</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
2022			
At 1 April 2021	325,689	(149,919)	175,770
Claims incurred in the current accident year	345,663	(161,044)	184,619
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
Decrease in PRAD	(8,213)	2,902	(5,311)
Decrease in expected ultimate loss ratios	(34,465)	13,106	(21,359)
Movements in claims incurred in prior accident years	11,789	(16,702)	(4,913)
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>
2021			
At 1 April 2020	307,125	(143,533)	163,592
Claims incurred in the current accident year	242,110	(96,303)	145,807
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
Decrease in PRAD	(11,647)	4,492	(7,155)
Decrease in expected ultimate loss ratios	(44,619)	17,229	(27,390)
Movements in claims incurred in prior accident years	(8,515)	4,207	(4,308)
Claims paid during the year	(158,765)	63,989	(94,776)
At 31 March 2021	<u>325,689</u>	<u>(149,919)</u>	<u>175,770</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 (cont'd.):

(ii) Contribution liabilities

General takaful fund and Company	Gross RM '000	Retakaful RM '000	Net RM '000
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>
2021			
At 1 April 2020	174,251	(49,882)	124,369
Contributions written during the year	468,782	(174,845)	293,937
Contributions earned during the year	(419,487)	174,333	(245,154)
At 31 March 2021	<u>223,546</u>	<u>(50,394)</u>	<u>173,152</u>

23. Expense liabilities

Shareholder's fund and Company

	2022 RM '000	2021 RM '000
Expense liabilities of general takaful fund		
Unearned wakalah fees reserve	<u>51,391</u>	<u>46,188</u>

The movement of expense liabilities are presented as follows:

	RM '000
At 1 April 2021	46,188
- Wakalah fees received during the year (Note 8)	187,153
- Wakalah fees earned during the year	(181,950)
	<u>5,203</u>
At 31 March 2022	<u>51,391</u>
At 1 April 2020	36,433
- Wakalah fees received during the year (Note 8)	170,581
- Wakalah fees earned during the year	(160,826)
	<u>9,755</u>
At 31 March 2021	<u>46,188</u>

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24. Takaful certificate payables

General takaful fund and Company

	2022 RM '000	2021 RM '000
Due to retakaful operators	59,657	49,349

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 statement of financial position RM'000	Net amounts in the statement of financial position RM'000
2022			
Due to retakaful operators	160,929	(101,272)	59,657
2021			
Due to retakaful operators	110,512	(61,163)	49,349

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

25. Other payables

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2022			
Provision on:			
Marketing incentive	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
	16,056	109,219	84,640

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25. Other payables (cont'd.)

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
2021			
Provision on:			
Marketing incentive	7,274	-	7,274
Salary and bonus	4,626	-	4,626
Others	3,509	-	3,509
Advance contributions	-	3,386	3,386
Deposit contributions	-	3,226	3,226
Amount due to participants	-	6,375	6,375
Amount due to shareholder's fund*	-	18,189	-
Amount due to fellow subsidiaries*	3	-	3
Surplus payable	-	19,467	19,467
Other accruals and payables	8,205	22,782	30,987
	<u>23,617</u>	<u>73,425</u>	<u>78,853</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	
	2022 '000	2021 '000	2022 RM '000	2021 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

	2022 RM '000	2021 RM '000
Shareholder's fund and Company		
Distributable retained profits	46,474	34,612
Non-distributable fair value reserves	(1,835)	234
	<u>44,639</u>	<u>34,846</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 2022 can be distributed as dividends under the single-tier system.

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28. General takaful fund

General takaful fund and Company

	2022	2021
	RM '000	RM '000
Accumulated surplus		
At beginning of the year	157,623	146,751
Surplus attributable to participants	22,515	15,872
Surplus payable to participants during the year	(8,000)	(5,000)
At end of the year	<u>172,138</u>	<u>157,623</u>
	2022	2021
	RM '000	RM '000
Fair value reserves		
At beginning of the year	2,362	4,494
Net losses on fair value changes	(4,764)	(596)
Deferred tax on fair value changes	1,238	673
Realised gains transferred to profit or loss	(394)	(2,209)
At end of the year	<u>(1,558)</u>	<u>2,362</u>
	2022	2021
	RM '000	RM '000
General takaful fund at end of the year		
Accumulated surplus	172,138	157,623
Fair value reserves	(1,558)	2,362
	<u>170,580</u>	<u>159,985</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:

	2022	2021
	RM '000	RM '000
Company		
Profit attributable to ordinary shareholder	<u>32,862</u>	<u>27,428</u>
Number of ordinary shares in issue	230,000	230,000
Basic earnings per share (sen)	<u>14.3</u>	<u>11.9</u>

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30. Cash flow by fund

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
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	1,464	8,173	9,637
At 31 March 2022	<u>3,376</u>	<u>7,167</u>	<u>10,543</u>
2021			
Net cash flows generated from/(used in):			
Operating activities	10,091	(12,806)	(2,715)
Investing activities	(9,765)	-	(9,765)
Financing activities	(15,000)	-	(15,000)
	<u>(14,674)</u>	<u>(12,806)</u>	<u>(27,480)</u>
Net decrease in cash and cash equivalents	(14,674)	(12,806)	(27,480)
At 1 April 2020	16,138	20,979	37,117
At 31 March 2021	<u>1,464</u>	<u>8,173</u>	<u>9,637</u>

31. Capital commitments and contingencies

Capital commitments

	2022 RM '000	2021 RM '000
Shareholder's fund and Company		
Authorised and contracted for:		
Intangible assets	6,965	5,445
Authorised but not contracted for:		
Intangible assets	15,358	19,180
Equipment	2,471	153
	<u>17,829</u>	<u>19,333</u>
Payable within 1 year	12,152	8,426
Payable after 1 year but not more than 5 years	12,642	16,352
	<u>24,794</u>	<u>24,778</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 RM385,164 in the form of cash deposit in marginal accounts.

32. Regulatory capital requirement

The capital structure of the Company as at 31 March 2022, 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
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>
2021			
Tier-1 capital			
Share capital	230,000	-	230,000
Retained profits/accumulated surplus	34,612	157,623	192,235
Tier-2 capital			
Fair value reserves	234	2,362	2,596
Amount deducted from capital	(20,412)	(7,244)	(27,656)
Total capital available	<u>244,434</u>	<u>152,741</u>	<u>397,175</u>

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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.

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:

2022	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Income/(expenses):			
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)
Management fees	(3,339)	-	(3,339)
Management expense chargeback	(6,651)	-	(6,651)
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.)

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

2021	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Income/(expenses):			
Transactions with MNRB:			
Gross contributions	-	225	225
Management fees	(4,788)	-	(4,788)
Management expense chargeback	(604)	-	(604)
Dividend paid	(15,000)	-	(15,000)
Transactions with Takaful IKHLAS Family, a fellow subsidiary:			
Gross contribution received	-	104	104
Gross contribution paid for takaful cover	(305)	-	(305)
Management expense chargeback	(4,807)	-	(4,807)
Transactions with Malaysian Re, a fellow subsidiary:			
Gross contributions received	-	88	88
Contributions ceded	-	(14,632)	(14,632)
Retakaful commission income	-	869	869
Claims recoveries	-	4,402	4,402
Management expense chargeback	(19)	-	(19)
Transactions with Labuan Reinsurance (L) Ltd ("Labuan Re"), in which Malaysian Re is a substantial shareholder:			
Gross contributions received	-	6	6
Contributions ceded	-	(9,370)	(9,370)
Retakaful commission income	-	368	368
Claims recoveries	-	1,528	1,528

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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:

	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
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>
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>
2021			
Other receivables (Note 20):			
Takaful IKHLAS Family	261	730	991
MNRB	378	-	378
	<u>639</u>	<u>730</u>	<u>1,369</u>
Retakaful certificate assets:			
Malaysian Re	-	5,374	5,374
Labuan Re	-	4,891	4,891
	<u>-</u>	<u>10,265</u>	<u>10,265</u>

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33. Related party disclosures (cont'd.)

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

2021 (cont'd.)	Shareholder's fund RM '000	General takaful fund RM '000	Company RM '000
Takaful certificate payables:			
Malaysian Re	-	(2,357)	(2,357)
Labuan Re	-	(690)	(690)
Takaful IKHLAS Family	-	(3)	(3)
	<u>-</u>	<u>(3,050)</u>	<u>(3,050)</u>
Other payables (Note 25):			
Malaysian Re	(3)	-	(3)
	<u>(3)</u>	<u>-</u>	<u>(3)</u>

(c) Key management personnel

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

	2022 RM '000	2021 RM '000
President & CEO remuneration (Note 11(a)):		
Salaries and bonus	719	621
Pension costs - EPF	112	93
Benefits-in-kind	24	25
Others	111	98
	<u>966</u>	<u>837</u>
Executive Directors' remuneration (Note 11(b)):		
Fees	-	39
Allowances and other emoluments	-	9
	<u>-</u>	<u>48</u>
Non-executive Directors' remuneration (Note 11(c)):		
Fees	726	740
Allowances and other emoluments	210	201
	<u>936</u>	<u>941</u>

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33. Related party disclosures (cont'd.)

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

	2022 RM '000	2021 RM '000
Group Shariah Committee member's remuneration (Note 11(d)):		
Fees	59	59
Allowances and other emoluments	20	16
	<u>79</u>	<u>75</u>
Other key management personnel's remuneration:		
Salaries and bonus	2,406	2,617
Pension costs - EPF	406	422
Others	331	409
Total	<u>3,143</u>	<u>3,448</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 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>
In respect of the financial year ended 31 March 2020:	
Final single tier dividend of 6.52% on 230,000,002 ordinary shares, declared on 21 September 2020 and paid on 26 September 2020	<u>15,000</u>

35. Risk management framework

The Company adopts a 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

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35. Risk management framework (cont'd.)

- (iii) **Protocols**, by describing the procedures, methodologies, tools and techniques for risk management.

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

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35. Risk management framework (cont'd.)

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 regard to risk management principles. The Company also aims to uphold high standards of business practices in all its activities.

(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).

All participants pay a portion of contributions on the basis of Tabarru' (donation) into the General Takaful Fund ("GTF") for the purpose of meeting claims for events or risks covered under the takaful contracts.

The risks are mitigated by diversification across a large portfolio of business, which is designed to balance the overall experience. The solvency of the GTF is managed by adopting prudent underwriting and claims management practices, such as underwriting and claims Standard Operating Procedures ("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:

2022	Gross RM '000	Retakaful RM '000	Net RM '000
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>
2021			
Fire	92,382	(11,022)	81,360
Motor	349,620	(138,889)	210,731
Personal Accident	23,689	843	24,532
Miscellaneous (including Marine, Aviation and Transit)	83,544	(51,245)	32,299
	<u>549,235</u>	<u>(200,313)</u>	<u>348,922</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 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 the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, claims experience and investment environment.

(b) Reserving risk

The GTF's claims liabilities and consequently some of the inputs used in determining its contribution liabilities and Shareholder's Fund's expense liabilities are based upon claims experience, existing knowledge of the 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.

At each reporting date, 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.

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

(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, for example, isolated occurrence, changes in market factors such as public attitude to claims notification and reporting, economic conditions, as well as internal factors such as changes in portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include delays in settlement.

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, surplus before tax and the resulting general takaful fund. The correlation of assumptions will have significant effects in determining the ultimate claim liabilities. 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.)

2022	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on surplus before tax RM '000	Impact on participants' fund* RM '000
		-----Increase/(decrease)-----			
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
2021					
Motor Act Average					
Severity	+10%	50,153	30,176	(30,176)	(22,934)
	-10%	(50,153)	(30,176)	30,176	22,934
Motor Others Expected					
Loss Ratio	+10%	30,464	18,369	(18,369)	(13,960)
	-10%	(30,464)	(18,369)	18,369	13,960
Fire Expected					
Loss Ratio	+10%	4,998	2,192	(2,192)	(1,666)
	-10%	(4,998)	(2,192)	2,192	1,666

* 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 reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience at best estimate level 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 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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36. Takaful risk of the general takaful fund (cont'd.)

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

Gross General Takaful Certificate Liabilities for 2021:

Accident year	As at 31 March										Total RM '000
	Prior 2013 RM '000	2013 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	
At the end of accident year	635,225	108,384	141,258	176,571	174,218	190,776	195,417	188,468	194,051	204,481	
One year later	629,010	106,221	125,098	176,737	163,828	192,331	196,877	192,772	185,943		
Two year later	601,375	97,322	122,664	172,414	157,286	185,552	198,738	186,612			
Three year later	578,436	96,354	116,932	168,315	153,908	187,120	197,158				
Four year later	570,297	94,383	114,368	167,527	155,963	184,175					
Five year later	565,229	91,299	113,948	171,455	154,356						
Six year later	554,618	89,597	111,546	163,584							
Seven year later	556,767	90,226	110,254								
Eight year later	560,352	89,747									
Ninth year later	560,628										
Current estimate of cumulative claims incurred	560,628	89,747	110,254	163,584	154,356	184,175	197,158	186,612	185,943	204,481	
At the end of accident year	329,854	41,992	52,965	72,433	70,093	80,611	82,191	73,362	78,163	81,540	
One year later	450,625	70,413	89,811	121,645	112,184	132,501	131,743	127,672	120,590		
Two year later	506,154	81,651	102,861	141,980	130,725	153,910	158,922	147,522			
Three year later	528,178	85,797	106,947	154,662	138,037	162,779	168,814				
Four year later	536,958	86,573	108,544	157,119	140,658	165,165					
Five year later	540,166	87,856	109,092	160,689	141,922						
Six year later	544,151	88,484	109,863	161,168							
Seven year later	545,776	88,920	110,005								
Eight year later	558,833	88,968									
Ninth year later	559,570										
Cumulative payments to-date	559,570	88,968	110,005	161,168	141,922	165,165	168,814	147,522	120,590	81,540	
Gross general takaful contract liabilities:											
Best estimate of claims liabilities (including Allocated Loss Adjustment Expenses ("ALAE"))	1,058	779	249	2,416	12,434	19,010	28,344	39,090	65,353	122,941	291,674
Fund PRAD at 75%											34,015
Total (Note 22)											325,689

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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 2021:

Accident year	As at 31 March										Total RM '000
	Prior 2013 RM '000	2013 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	
At the end of accident year	675,135	77,046	89,101	104,071	110,041	113,257	113,775	107,381	118,288	125,074	
One year later	655,449	74,561	80,459	102,643	100,341	113,434	113,959	106,516	108,953		
Two year later	630,992	66,794	77,240	97,354	96,034	108,941	110,916	102,714			
Three year later	597,750	65,723	73,895	94,702	94,500	107,880	110,335				
Four year later	585,993	64,087	73,044	94,152	94,192	106,783					
Five year later	588,412	61,523	72,721	94,341	93,674						
Six year later	508,269	60,096	70,687	90,169							
Seven year later	503,533	59,851	70,247								
Eight year later	492,630	59,649									
Ninth year later	493,310										
Current estimate of cumulative claims incurred	493,310	59,649	70,247	90,169	93,674	106,783	110,335	102,714	108,953	125,074	
At the end of accident year	309,674	30,126	33,647	45,169	43,970	50,502	49,290	46,005	47,549	51,097	
One year later	419,362	50,073	56,856	71,475	69,156	79,164	79,694	75,861	74,034		
Two year later	467,270	57,352	64,848	82,078	80,147	90,931	92,440	85,132			
Three year later	480,275	59,537	68,204	86,274	84,404	95,729	97,263				
Four year later	490,361	58,440	69,343	87,824	85,974	97,147					
Five year later	492,638	59,117	69,749	89,306	86,721						
Six year later	491,981	59,519	70,116	89,454							
Seven year later	492,605	59,635	70,200								
Eight year later	492,613	59,647									
Ninth year later	493,304										
Cumulative payments to-date	493,304	59,647	70,200	89,454	86,721	97,147	97,263	85,132	74,034	51,097	
Net general takaful contract liabilities:											
Best estimate of claims liabilities (including ALAE)	6	2	47	715	6,953	9,636	13,072	17,582	34,919	73,977	156,909
Fund PRAD at 75%											18,861
Total (Note 22)											175,770

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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 reporting date, 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 sukuk that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of sukuk 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.)

	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									
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 sukuks	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
Islamic investment accounts 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 and prepayments	-	-	-	-	-	-	614	-	614
Cash and bank balances	-	2,979	378	-	-	-	-	19	3,376
	112,991	118,755	14,779	20,531	-	-	46,423	9,131	322,610

⁽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.)

Shareholder's 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			
2021									
Financial assets at FVTPL									
- Mandatorily measured:									
Quoted Shariah approved equities in Malaysia	-	-	-	-	-	-	-	7,222	7,222
Real estate investment trusts	-	-	-	-	-	-	-	836	836
Financial assets at FVOCI									
Unquoted sukuk	19,145	43,804	15,174	5,023	-	-	-	-	83,146
Government investment issues	63,708	-	-	-	-	-	-	-	63,708
Financial assets at AC									
Islamic commercial papers	-	9,974	-	-	-	-	-	-	9,974
Islamic investment accounts with licensed:									
Islamic banks	-	65,762	59,244	4,133	-	-	-	-	129,139
Development banks	-	-	3,678	-	-	-	-	-	3,678
Staff financing:									
Receivable within 12 months	-	-	-	-	-	-	251	-	251
Receivable after 12 months	-	-	-	-	-	-	500	-	500
Due from general takaful fund	-	-	-	-	-	-	18,189	-	18,189
Amount due from:									
Holding company	-	-	-	-	-	-	378	-	378
Fellow subsidiary	-	-	-	-	-	-	261	-	261
Income due and accrued	510	403	213	135	-	-	110	-	1,371
Sundry receivables and prepayments	-	-	-	-	-	-	678	-	678
Cash and bank balances	-	1,448	-	-	-	-	-	16	1,464
	83,363	121,391	78,309	9,291	-	-	20,367	8,074	320,795

⁽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 subject to credit risk	Total
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000	Not Rated RM '000	RM '000
2022								
Financial assets at FVTPL								
- Mandatorily measured:								
Quoted Shariah approved equities in Malaysia	-	-	-	-	-	-	-	26,073
Real estate investment trusts	-	-	-	-	-	-	-	809
Shariah approved unit trust fund	-	-	-	-	-	-	-	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
Islamic investment accounts 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	-	-	-	4,951
Sundry receivables and prepayments	-	-	-	-	-	-	7,291	7,291
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
	220,051	234,999	105,353	186,420	52,487	-	104,030	944,964

⁽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.)

General takaful fund (cont'd.)	Investment grade ⁽ⁱ⁾					Non- investment grade ⁽ⁱ⁾	Not subject to credit risk	Total
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000	Not Rated RM '000	
2021								
Financial assets at FVTPL								
- Mandatorily measured:								
Quoted Shariah approved								
equities in Malaysia	-	-	-	-	-	-	-	29,718
Real estate investment trusts	-	-	-	-	-	-	-	859
Financial assets at FVOCI								
Unquoted sukuk	80,243	85,108	25,782	5,023	-	-	-	196,156
Government investment issues	98,838	-	-	-	-	-	-	98,838
Financial assets at AC								
Islamic commercial papers	-	14,958	-	-	-	-	-	14,958
Islamic investment accounts with licensed:								
Islamic banks	-	83,286	21,088	22,347	-	-	-	126,721
Development banks	-	-	36,854	-	-	-	28,856	65,710
Amount due from fellow subsidiary	-	-	-	-	-	-	730	730
Income due and accrued	1,599	1,069	685	126	-	-	491	3,970
Sundry receivables and prepayments	-	-	-	-	-	-	3,454	3,454
Retakaful certificate assets**	-	-	-	71,630	55,123	-	23,166	149,919
Takaful certificate receivables	-	10,291	6,301	1,306	-	-	57,313*	75,211
Cash and bank balances	-	2,297	434	1,970	-	-	3,472	8,173
	180,680	197,009	91,144	102,402	55,123	-	117,482	774,417

⁽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 subject to credit risk	Total
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000	Not Rated RM '000	RM '000
2022								
Financial assets at FVTPL								
- Mandatorily measured:								
Quoted Shariah approved equities in Malaysia	-	-	-	-	-	-	-	34,326
Real estate investment trusts	-	-	-	-	-	-	-	1,589
Shariah approved unit trust fund	-	-	-	-	-	-	-	14,515
Financial assets at FVOCI								
Unquoted sukuks	113,259	137,582	25,694	9,989	-	-	-	286,524
Government investment issues	216,742	-	-	-	-	-	-	216,742
Financial assets at AC								
Islamic commercial papers	-	4,975	-	-	-	-	-	4,975
Islamic investment accounts with licensed:								
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	-	-	-	7,212
Sundry receivables and prepayments	-	-	-	-	-	-	7,905	7,905
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	-	-	-	10,543
	333,042	353,754	120,132	206,951	52,487	-	109,818	1,226,939

⁽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 subject to credit risk	Total
	Government guaranteed RM '000	AAA/P1 RM '000	AA RM '000	A RM '000	BBB RM '000	(C to BB) RM '000	Not Rated RM '000	RM '000
2021								
Financial assets at FVTPL								
- Mandatorily measured:								
Quoted Shariah approved								
equities in Malaysia	-	-	-	-	-	-	-	36,940
Real estate investment trusts	-	-	-	-	-	-	-	1,695
Financial assets at FVOCI								
Unquoted sukuks	99,388	128,912	40,956	10,046	-	-	-	279,302
Government investment issues	162,546	-	-	-	-	-	-	162,546
Financial assets at AC								
Islamic investment accounts with licensed:								
Islamic commercial papers	-	24,932	-	-	-	-	-	24,932
Islamic banks	-	149,048	80,332	26,480	-	-	-	255,860
Development banks	-	-	40,532	-	-	-	28,856	69,388
Staff financing:								
Receivable within 12 months	-	-	-	-	-	-	251	251
Receivable after 12 months	-	-	-	-	-	-	500	500
Amount due from:								
Holding company	-	-	-	-	-	-	378	378
Fellow subsidiary	-	-	-	-	-	-	991	991
Income due and accrued	2,109	1,472	898	261	-	-	601	5,341
Sundry receivables and prepayments	-	-	-	-	-	-	4,132	4,132
Retakaful certificate assets	-	-	-	71,630	55,123	-	23,166	149,919
Takaful certificate receivables	-	10,291	6,301	1,306	-	-	57,313*	75,211
Cash and bank balances	-	3,745	434	1,970	-	-	3,472	9,637
	264,043	318,400	169,453	111,693	55,123	-	119,660	1,077,023

⁽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.)

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 reporting date.

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 fund	General takaful fund Stage 1	Company
	12-months ECL		
	RM '000	RM '000	RM '000
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

2021

Financial assets at FVOCI			
Government Guaranteed	82,853	179,081	261,934
AAA	43,804	85,108	128,912
AA	15,174	25,782	40,956
A	5,023	5,023	10,046
Carrying amount	146,854	294,994	441,848

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 fund	General takaful fund Stage 1	Company
	12-months ECL		
	RM '000	RM '000	RM '000
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
2021			
As at 1 April 2020	29	36	65
Net adjustment of loss allowance (Note 12)	13	36	49
As at 31 March 2021	42	72	114

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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

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.)

General takaful fund
and Company (cont'd.)

2021	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%	6.6%	15.9%	45.5%	61.3%	62.9%	17.2%
Gross carrying amount - Takaful certificate receivables	945	62,397	11,132	3,137	2,104	11,104	90,819
Allowance for ECL	-	4,133	1,767	1,427	1,291	6,990	15,608
Not credit impaired	-	4,133	1,767	1,427	1,291	5,684	14,302
Credit impaired	-	-	-	-	-	1,306	1,306

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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 RM '000	Others RM '000	Takaful Certificate RM '000	Others RM '000	Takaful Certificate RM '000	Others RM '000
General takaful fund and Company						
2022						
<u>Gross carrying amount</u>						
As at 1 April 2021	89,513	1,548	1,306	21	90,819	1,569
(Decrease)/increase	(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.)

	Not credit impaired		Credit impaired		Total	
	Takaful Certificate	Others	Takaful Certificate	Others	Takaful Certificate	Others
General takaful fund and Company (cont'd.)	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
2021						
<u>Gross carrying amount</u>						
As at 1 April 2020	48,326	3,096	5,418	41	53,744	3,137
Increase/(decrease)	41,187	(1,548)	(4,112)	(20)	37,075	(1,568)
As at 31 March 2021	<u>89,513</u>	<u>1,548</u>	<u>1,306</u>	<u>21</u>	<u>90,819</u>	<u>1,569</u>
<u>Allowance for ECL</u>						
As at 1 April 2020	(3,147)	(688)	(5,418)	20	(8,565)	(668)
(Increase)/decrease	(11,155)	-	4,112	(41)	(7,043)	(41)
As at 31 March 2021	<u>(14,302)</u>	<u>(688)</u>	<u>(1,306)</u>	<u>(21)</u>	<u>(15,608)</u>	<u>(709)</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						
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>
2021						
Allowance for ECL						
As at 1 April 2020	(5,418)	20	(3,147)	(688)	(8,565)	(668)
Net adjustment of loss allowance	4,112	(41)	(11,155)	-	(7,043)	(41)
As at 31 March 2021	<u>(1,306)</u>	<u>(21)</u>	<u>(14,302)</u>	<u>(688)</u>	<u>(15,608)</u>	<u>(709)</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 discounted 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
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
Islamic investment accounts with licensed:						
Islamic banks	70,716	70,923	-	-	-	70,923
Development banks	3,185	3,185	-	-	-	3,185
Staff financing:						
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 and prepayments	614	450	-	-	164	614
Cash and bank balances	3,376	3,376	-	-	-	3,376
Total financial and takaful assets	322,610	178,731	77,302	94,921	9,197	360,151
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.)

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
2021						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	7,222	-	-	-	7,222	7,222
Real estate investment trusts	836	-	-	-	836	836
Financial assets at FVOCI						
Unquoted sukuk	83,146	37,540	38,118	18,491	-	94,149
Government investment issues	63,708	2,470	29,309	44,590	-	76,369
Financial assets at AC						
Islamic commercial papers	9,974	10,000	-	-	-	10,000
Islamic investment accounts with licensed:						
Islamic banks	129,139	129,550	-	-	-	129,550
Development banks	3,678	3,716	-	-	-	3,716
Staff financing receivable	751	251	500	-	-	751
Due from general takaful fund	18,189	18,189	-	-	-	18,189
Amount due from:						
Holding company	378	378	-	-	-	378
Fellow subsidiary	261	261	-	-	-	261
Income due and accrued	1,371	1,371	-	-	-	1,371
Sundry receivables and prepayments	678	514	-	-	164	678
Cash and bank balances	1,464	1,464	-	-	-	1,464
Total financial and takaful assets	320,795	205,704	67,927	63,081	8,222	344,934
Other payables	23,617	23,617	-	-	-	23,617
Lease liabilities	2,685	1,539	1,059	87	-	2,685
Total financial and takaful liabilities	26,302	25,156	1,059	87	-	26,302

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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
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 sukuk	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
Islamic investment accounts with licensed:						
Islamic banks	235,688	236,613	-	-	-	236,613
Development banks	58,285	58,285	-	-	-	58,285
Secured staff financing:						
Amount due from fellow subsidiary	2,498	2,498	-	-	-	2,498
Income due and accrued	4,951	4,951	-	-	-	4,951
Sundry receivables and prepayments	7,291	7,265	-	-	26	7,291
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	944,964	568,291	251,379	164,740	26,908	1,011,318
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.)

General takaful fund (cont'd.)

2021

Financial assets at FVTPL

- Mandatorily measured:

Quoted Shariah approved
equities in Malaysia

29,718	-	-	-	29,718	29,718
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Real estate investment trusts

859	-	-	-	859	859
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Financial assets at FVOCI

Unquoted sukuku

196,156	64,620	88,795	76,101	-	229,516
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Government investment issues

98,838	13,467	64,221	34,339	-	112,027
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Financial assets at AC

Islamic commercial papers

14,958	15,000	-	-	-	15,000
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Islamic investment accounts with licensed:

Islamic banks

126,721	127,479	-	-	-	127,479
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Development banks

65,710	66,537	-	-	-	66,537
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Amount due from fellow subsidiary

730	730	-	-	-	730
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Income due and accrued

3,970	3,970	-	-	-	3,970
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Sundry receivables and prepayments

3,454	2,999	-	-	455	3,454
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Retakaful certificate assets

149,919	73,929	69,533	6,457	-	149,919
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Takaful certificate receivables

75,211	75,211	-	-	-	75,211
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Cash and bank balances

8,173	8,173	-	-	-	8,173
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Total financial and takaful assets

774,417	452,115	222,549	116,897	31,032	822,593
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Takaful certificate liabilities

325,689	154,708	156,799	14,182	-	325,689
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Takaful certificate payables

49,349	49,349	-	-	-	49,349
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Other payables

73,424	73,424	-	-	-	73,424
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Total financial and takaful liabilities

448,462	277,481	156,799	14,182	-	448,462
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Takaful Ikhlas General Berhad
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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
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 sukuk	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
Islamic investment accounts 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 and prepayments	7,905	7,715	-	-	190	7,905
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	1,226,939	706,387	328,681	259,661	36,105	1,330,834
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.)

(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
2021						
Financial assets at FVTPL						
- Mandatorily measured:						
Quoted Shariah approved equities in Malaysia	36,940	-	-	-	36,940	36,940
Real estate investment trusts	1,695	-	-	-	1,695	1,695
Financial assets at FVOCI						
Unquoted sukuk	279,302	102,160	126,913	94,592	-	323,665
Government investment issues	162,546	15,937	93,530	78,929	-	188,396
Financial assets at AC						
Islamic commercial papers	24,932	25,000	-	-	-	25,000
Islamic investment accounts with licensed:						
Islamic banks	255,860	257,029	-	-	-	257,029
Development banks	69,388	70,253	-	-	-	70,253
Staff financing receivable	751	251	500	-	-	751
Amount due from:						
Holding company	378	378	-	-	-	378
Fellow subsidiary	991	991	-	-	-	991
Income due and accrued	5,341	5,341	-	-	-	5,341
Sundry receivables and prepayments	4,132	3,513	-	-	619	4,132
Retakaful certificate assets	149,919	73,929	69,533	6,457	-	149,919
Takaful certificate receivables	75,211	75,211	-	-	-	75,211
Cash and bank balances	9,637	9,637	-	-	-	9,637
Total financial and takaful assets	1,077,023	639,630	290,476	179,978	39,254	1,149,338
Takaful certificate liabilities	325,689	154,708	156,799	14,182	-	325,689
Takaful certificate payables	49,349	49,349	-	-	-	49,349
Other payables	78,853	78,853	-	-	-	78,853
Lease liabilities	2,685	1,539	1,059	87	-	2,685
Total financial and takaful liabilities	456,576	284,449	157,858	14,269	-	456,576

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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;
- (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 page:

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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 ------(Decrease)/increase-----	Impact on equity * RM '000
Shareholder's fund			
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
2021			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(628)	(477)
	- 25	628	477
Government investment issues	+ 25	(899)	(683)
	- 25	899	683
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(3)	(3)
	- 25	3	3

* Impact on equity is net of tax of 24% (2021: 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 ----- (Decrease)/increase -----	Impact on participants' fund * RM '000
General takaful fund			
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
2021			
<u>Financial assets at FVOCI</u>			
Unquoted sukuku	+ 25	(1,898)	(1,442)
	- 25	1,898	1,442
Government investment issues	+ 25	(928)	(705)
	- 25	928	705
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(5)	(4)
	- 25	5	4

* Impact on participants' fund is net of tax of 24% (2021: 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	equity/ participants'
		value	fund *
		RM '000	RM '000
		----- (Decrease)/increase -----	
2022			
<u>Financial assets at FVOCI</u>			
Unquoted sukuks	+ 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
2021			
Unquoted sukuks	+ 25	(2,526)	(1,919)
	- 25	2,526	1,919
Government investment issues	+ 25	(2,065)	(1,388)
	- 25	2,065	1,388
<u>Financial assets at AC</u>			
Islamic Commercial Papers	+ 25	(9)	(7)
	- 25	9	7

* Impact on equity/participants' fund is net of tax of 24% (2021: 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				
2022				
Financial assets	+ 5%	452	452	344
at FVTPL	- 5%	(452)	(452)	(344)

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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.)				
2021				
Financial assets	+ 5%	403	403	306
at FVTPL	- 5%	(403)	(403)	(306)
General takaful fund				
2022				
Financial assets	+ 5%	2,070	2,070	1,573
at FVTPL	- 5%	(2,070)	(2,070)	(1,573)
2021				
Financial assets	+ 5%	1,529	1,529	1,162
at FVTPL	- 5%	(1,529)	(1,529)	(1,162)
Company				
2022				
Financial assets	+ 5%	2,522	2,522	1,917
at FVTPL	- 5%	(2,522)	(2,522)	(1,917)
2021				
Financial assets	+ 5%	1,932	1,932	1,468
at FVTPL	- 5%	(1,932)	(1,932)	(1,468)

* Impact on equity/participants' fund is net of tax of 24% (2021: 24%) for the shareholder's and general takaful funds.

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38. Other risk

(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) 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.

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

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38. Other risk (cont'd.)

(c) 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.

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.

- 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") sukuk, unsecured sukuk and government investment issues ("GII").

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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 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.

(iv) Investments

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed under Note 2.11(b)(c)(d).

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39. Fair values (cont'd.)

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

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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	Level 2	Level 3	
	Quoted market prices	Observable inputs	Significant unobservable inputs	
	RM '000	RM '000	RM '000	
Shareholder's fund (cont'd.)				
2021				
Financial assets:				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	7,222	-	-	7,222
Real estate investment trusts	836	-	-	836
	8,058	-	-	8,058
Financial assets at FVOCI:				
Unquoted sukuk Government investment issues	-	83,146	-	83,146
	-	63,708	-	63,708
	-	146,854	-	146,854
	8,058	146,854	-	154,912

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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				
2022				
<u>Financial assets:</u>				
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>
Financial assets at FVOCI:				
Unquoted sukuk	-	181,761	-	181,761
Government investment issues	-	135,879	-	135,879
	<u>-</u>	<u>317,640</u>	<u>-</u>	<u>317,640</u>
	<u>41,397</u>	<u>317,640</u>	<u>-</u>	<u>359,037</u>

2021

Financial assets:

Financial assets at FVTPL:

Quoted Shariah approved equities in Malaysia	29,718	-	-	29,718
Real estate investment trusts	859	-	-	859
	<u>30,577</u>	<u>-</u>	<u>-</u>	<u>30,577</u>

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39. Fair values (cont'd.)

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

Valuation technique using:				
Level 1	Level 2	Level 3		
Quoted		Significant		
market	Observable	unobservable		
prices	inputs	inputs		
RM '000	RM '000	RM '000	Total	
			RM '000	
General takaful fund (cont'd.)				
2021 (cont'd.)				
Financial assets (cont'd.):				
Financial assets at FVOCI:				
Unquoted sukuks	-	196,156	-	196,156
Government investment issues	-	98,838	-	98,838
	-	294,994	-	294,994
	30,577	294,994	-	325,571

Company

2022

Financial assets:

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.)

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	
2022 (cont'd.)				
<u>Financial assets (cont'd.):</u>				
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
2021				
<u>Financial assets:</u>				
Financial assets at FVTPL:				
Quoted Shariah approved equities in Malaysia	36,940	-	-	36,940
Real estate investment trusts	1,695	-	-	1,695
	38,635	-	-	38,635

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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	
Financial assets at FVOCI:				
Unquoted sukuks	-	279,302	-	279,302
Government investment issues	-	162,546	-	162,546
	-	441,848	-	441,848
	38,635	441,848	-	480,483

40. Significant and subsequent event

Coronavirus Disease 2019 ("COVID-19")

The prolonged COVID-19 pandemic has continued to impact people, businesses, and economies globally and had an impact to the Company's takaful business during the first half of the financial year which recorded negative business growth.

With more than 80% of the population fully vaccinated and hospitalization and death cases tapering down, Malaysia is now in the "transition to endemic" phase where most of the economic activities have now fully resumed. The Company has since recovered during the second half of the financial year.

The local equity market is expected to improve in anticipation of earnings recovery from improved economic conditions. There are however uncertainties arising from the possibility of new communicable diseases, inflationary pressures and continued supply chain bottlenecks

The Company is of the view that the pandemic will not fundamentally impact the ability of its business operations to continue to operate as a going concern and will continue to remain resilient, to weather through the current pandemic. In addition, the healthy levels of solvency and liquidity of the Company are sufficient to sustain both its operational and financial requirements and, accordingly, the Company's financial statements for the financial year ended 31 March 2022 continue to be prepared on a going concern basis.

The management of the Company are of the view that there were no other matters, other than those described above, arising from the on-going pandemic that would have a significant impact on the carrying values of the Company's assets and liabilities as at 31 March 2022.



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