PACIFIC & ORIENT INSURANCE CO. BERHAD

Registration No. 197201000959 (12557-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 September 2022

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Pacific & Orient Insurance Co. Berhad ("the Company") for the financial year ended 30 September 2022.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of all classes of general insurance business.

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

RESULTS

	RM'000
Net profit for the year	2,301

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2021 were as follows:

	RM'000
In respect of the financial year ended 30 September 2021	
Final single tier dividend of 2.00 sen per share, declared on 23 February 2022 and paid on 3 March 2022	2,000

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.

PROVISION FOR INSURANCE LIABILITIES

Before the income statement, 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 insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework (“RBC Framework”) for insurers issued by Bank Negara Malaysia (“BNM”).

BAD AND DOUBTFUL DEBTS

Before the income statement, statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement, statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) 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; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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 other than as disclosed in Note 42 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

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

Dato' Dr. Zaha Rina binti Zahari
Mr. Chan Thye Seng
Mr. Prasheem Seebran
Dr. Loh Leong Hua
Mr. Lim Tian Huat
Dato' Foong Chee Meng (Appointed on 1 September 2022)
Pn. Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)

DIRECTORS (CONT'D.)

The following are the profile of the Directors of the Company at the date of this report:

Name of Director	Background/Experience
Dato' Dr. Zaha Rina binti Zahari Malaysian, 61 ● Chairman of the Board ● Independent Director ● Member of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee	Dato' Dr. Zaha Rina binti Zahari joined the Board on 12 June 2014. Dato' Dr. Zaha Rina holds a Bachelor of Arts (Honours) in Accounting and Finance from Leeds Metropolitan University, United Kingdom, a Master in Business Administration from University of Hull, United Kingdom and a Doctorate in Business Administration from University of Hull, United Kingdom focusing on capital markets research and specialising in derivatives. She was a consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. She has more than 25 years of experience in the financial, commodities and securities industry and the development of the Malaysian capital market, which includes managing a futures broking company, and was the Chief Executive Officer ("CEO") of RHB Securities Sdn Bhd from 2004 to 2006. She has previous board appointments at the Commodity and Monetary Exchange of Malaysia from 1993 to 1996, then as the Chief Operating Officer ("COO") of Kuala Lumpur Options and Financial Futures Exchange in 2001, which merged to become MDEX in June 2001. She was then appointed Head of Exchanges, managing the operations of KLSE, MESDAQ, MDEX and Labuan International Financial Exchanges in September 2003 prior to KLSE's (now known as Bursa Malaysia Securities Berhad) demutualisation. She is also a regular speaker at many international conferences and forums. Dato' Dr. Zaha Rina was a Director of Zurich Insurance Malaysia Berhad prior to being appointed Chairman of Manulife Holdings Berhad in December 2013. Currently, she sits on the board of Pacific & Orient Berhad ("POB"), Hibiscus Petroleum Berhad, Keck Seng (Malaysia) Berhad, Mizuho Bank (Malaysia) Berhad and IGB Berhad besides holding directorships in several private limited companies. She is a Vice-President of Persatuan Chopin Malaysia and Divemaster with National Association of Underwater Instructors. She was a Member of Global Board of Advisers for XBRL until 2009 and was also on the Board of Trustee for Malaysian AIDS Foundation until May 2010.

DIRECTORS (CONT'D.)

The following are the profile of the Directors of the Company at the date of this report: (Cont'd.)

Name of Director	Background/Experience
Mr. Chan Thye Seng Malaysian, 66 ● Executive Director ● Member of the Nominating Committee	Mr. Chan joined the Board on 22 October 1994. He graduated from University College Cardiff with a Bachelor of Law (Honours) degree. He had 13 years of working experience as a practising lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982. He is the Managing Director and the CEO of POB. He also sits on the boards of other subsidiary companies of POB such as P & O Capital Sdn. Bhd., Pacific & Orient Distribution Sdn. Bhd., P & O Global Technologies Sdn. Bhd., P & O Global Technologies, Inc. and P&O Global Technologies (Thailand) Co., Ltd. He was previously on the boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn. Bhd. Mr. Chan is also a Director of several private limited companies, as well as a Non-Independent Non-Executive Director of Ancom Nylex Berhad, formerly Ancom Berhad.
Mr. Prasheem Seebran South African, 45 ● Non-Independent Non-Executive Director ● Member of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee	Mr. Prasheem joined the Board on 25 April 2016. Presently, Mr. Prasheem is a Regional Executive of Sanlam Emerging Market's ("SEM") South East Asian operations. His role involves overlooking SEM's investments in the region that currently comprises a life insurance company and general insurance company in Malaysia. He is also involved in expansion in the region, actively looking for partners that meets SEM's criteria. Mr. Prasheem holds a Bachelor of Science (Honours) in Actuarial Science from the University of Witwatersrand, South Africa in 2001 and is a qualified Actuary and Fellow of both the Actuarial Societies of South Africa and Malaysia. He has over 15 years of experience in Capital and Risk Management, General Insurance Pricing, Reserving, Product Development and Reinsurance Structuring and Optimisation. Mr. Prasheem has been involved in management and strategy at a group level for the majority of his career with his current focus areas being capital optimisation and business strategy.

DIRECTORS (CONT'D.)

The following are the profile of the Directors of the Company at the date of this report: (Cont'd.)

Name of Director	Background/Experience
Mr. Prasheem Seebran (Cont'd.)	Before joining SEM, Mr. Prasheem acted as the Chief Actuary for a large South African general insurance company and prior to that was part of the senior management team of one of the world's largest cell captive insurance companies. Mr. Prasheem is currently the CEO and the Managing Director of MCIS Insurance Berhad.
Dr. Loh Leong Hua Malaysian, 65 ● Independent Director ● Chairman of the Nominating Committee ● Member of the Audit Committee, Risk Management Committee and Remuneration Committee	Dr. Loh joined the Board on 1 July 2019. Presently he sits on the boards of Malaysia Building Society Berhad, Pacific & Orient Insurance Co. Berhad and WTK Holdings Berhad. Prior to that, he had accumulated more than 35 years of experience in banking with a few commercial and investment banks, and later served on the boards of Asian Finance Bank Berhad, MBSB Bank Berhad, YKGI Holdings Berhad and Transnational Insurance Brokers (M) Sdn. Bhd. He has also served as the Chairman of Rating Committee at MARC Ratings Berhad and was a Member of the Board Risk Committee of a State Economic Agency in Sarawak. He holds a doctorate from Universiti Kebangsaan Malaysia and is also an Advanced Management Programme graduate from The Wharton School at the University of Pennsylvania, USA. He is a Fellow of the Institute of Corporate Directors Malaysia ("ICDM").
Mr. Lim Tian Huat Malaysian, 68 ● Independent Director ● Chairman of the Audit Committee and Remuneration Committee ● Member of Risk Management Committee and Nominating Committee	Mr. Lim joined the Board on 31 January 2020. He holds a Bachelor of Arts in Economics (Honours) from Manchester Metropolitan University, United Kingdom. He is a Fellow of Association of Chartered Certified Accountants, member of Malaysia Institute of Accountants and Malaysia Institute of Certified Public Accountants. He also is the Founding President of Insolvency Practitioners Association of Malaysia ("IPAM") and its current council member. Mr. Lim has over 40 years of experience in assurance, corporate advisory, restructuring and insolvency. Mr. Lim founded Lim Tian Huat & Co. in 2010 and Rodgers Reidy & Co. in 2014.

DIRECTORS (CONT'D.)

The following are the profile of the Directors of the Company at the date of this report: (Cont'd.)

Name of Director	Background/Experience
Mr. Lim Tian Huat (Cont'd.)	He was a Partner in Ernst & Young from 2002 to 2009, in charge of restructuring and insolvency. Prior to that, he was with Arthur Andersen from 1979 to 2001, first 7 years in assurance before focusing in restructuring and insolvency. He became a Partner of Arthur Andersen in 1990, and led the global corporate finance practice, including restructuring and insolvency. He was appointed as a Member of the Corporate Law Reform Committee ("CLRC") by the Domestic Trade Minister under the purview of the Companies Commission of Malaysia. CLRC's objective was to update and upgrade the Companies Act which resulted in the new Companies Act, 2016. In addition, Mr. Lim was a Commissioner to the United Nations Compensation Commission from 1998 to 2002. Mr. Lim currently serves as Managing Partner of Lim Tian Huat & Co., Rodgers Reidy & Co. and sits on the boards of Anglo-Eastern Plantation PLC and Majuperak Holdings Berhad as a Senior Independent Director, PLUS Malaysia Berhad as an Independent Director besides holding directorships in several private limited companies.
Dato' Foong Chee Meng Malaysian, 56 ● Independent Director ● Chairman of the Risk Management Committee ● Member of the Audit Committee, Nominating Committee and Remuneration Committee	Dato' Foong joined the Board on 1 September 2022. Dato' Foong holds a Bachelor of Economics, Bachelor of Law and Masters of Law from the University of Sydney, Australia. Dato' Foong has more than 25 years of experience in legal practice and is currently a Managing Partner of a niche corporate boutique law firm, Foong & Partners which he set up in 2003. Aside from being an Advocate & Solicitor at High Court of Malaya, he is also a practising Advocate & Solicitor at the Federal Court of Australia and Supreme Court of New South Wales, Australia. He had previously practiced at Baker & McKenzie in Sydney and returned to Malaysia in 1993 to continue his practice at Zaid Ibrahim & Co. Dato' Foong was made a partner in 1996 where he was subsequently appointed the Head of the Corporate & Commercial and Foreign Investment of Zaid Ibrahim & Co.

DIRECTORS (CONT'D.)

The following are the profile of the Directors of the Company at the date of this report: (Cont'd.)

Name of Director	Background/Experience
Dato' Foong Chee Meng (Cont'd.)	Dato' Foong has been involved in structuring and executing major mergers and acquisitions, strategic alliances and joint ventures in various industry groups which comprise manufacturing, property, construction, telecommunications, food and newsprint industries. He also advises local and foreign companies and investors on a wide variety of corporate matters including foreign investments, regulatory compliance, joint ventures and acquisitions of Malaysian businesses. In 1999, Dato' Foong had published his first publication titled "Guide to Mergers and Acquisition in Asia" and was an author of the chapter on "Partnership" and "Franchising" in the Malaysia Precedents and Forms, Commercial Precedents in 2002.

In accordance with Article 80 of the Company's Constitution, Mr. Prasheem Seebran and Mr. Lim Tian Huat retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 84C of the Company's Constitution, Dato' Foong Chee Meng holds office only until the forthcoming Annual General Meeting and is eligible for re-election at that meeting.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to 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 a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as shown in Notes 29, 30 and 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Directors and officers of the Company and its related corporations are covered by Directors and Officers liability insurance up to a limit of RM20,000,000 for liability incurred in the discharging of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid by the Company during the financial year amounted to RM38,405.

There was no indemnity given to or insurance effected for the auditors of the Company during the financial year.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
Shares	At 1 October 2021	Acquired	Disposed	At 30 September 2022
Pacific & Orient Berhad ("POB") (Holding Company)				
Mr. Chan Thye Seng				
- Direct interest	39,250,538	-	-	39,250,538
- Indirect interest	127,219,650	-	-	127,219,650
Dato' Dr. Zaha Rina binti Zahari				
- Direct interest	1,000,066	-	-	1,000,066

	Number of options over ordinary shares			
Employees' Share Option Scheme	At 1 October 2021	Granted	Exercised	At 30 September 2022
POB (Holding Company)				
Mr. Chan Thye Seng				
- Direct interest	4,000,000	-	-	4,000,000
- Indirect interest	1,275,000	-	-	1,275,000

DIRECTORS' INTERESTS (CONT'D.)

Mr. Chan Thye Seng, by virtue of his interest in the holding company, is deemed to have an interest in the shares of all the subsidiary companies within the POB Group to the extent the holding company has an interest.

Other than as stated above, none of the Directors who were in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

POB EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

On 17 June 2019, POB implemented an ESOS to eligible employees and Executive Directors of POB and its subsidiaries ("the Group"). The ESOS shall be in force for a period up to five years until 16 June 2024.

As at 30 September 2022, a total of 26,969,000 options were granted to employees and Executive Directors of the Group. Included in the total options granted were 12,372,000 options granted to eligible employees of the Company. The outstanding options available to eligible employees of the Company as at 30 September 2022 was 10,315,000 options.

The movements of the ESOS granted to the eligible employees and Executive Directors of the Company are disclosed in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Total amounts paid or payable to the auditors as remuneration for their statutory audit services are disclosed in Note 29 to the financial statements.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of the Company acknowledges the importance of adopting good corporate governance practices in discharging its duties and responsibilities to safeguard the Company's assets and to enhance shareholders' value and financial performance of the Company.

Towards this end, the Board and management have considered BNM's policy document on Corporate Governance [ref. BNM/RH/PD 029-9], which was issued on 3 August 2016, and reviewed the state of the Company's corporate governance structures and procedures. The Board and management are of the opinion that the Company has generally complied with all the prescriptive requirements of the policy document.

BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

1.1 Board Roles and Responsibilities

The Board assumes responsibility for effective stewardship and control of the Company and discharges this responsibility through compliance with the Financial Services Act 2013, BNM's policy document on Corporate Governance [ref. BNM/RH/PD 029-9] and other policy documents and directives, in addition to adopting other best practices on corporate governance.

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(i) Reviewing and adopting the strategic plan, business plan and other initiatives for the Company.

The Board has reviewed and adopted the Strategic Plan 2021/2022, which laid down the Company's strategic context, covering analysis of the Malaysian economy and regulatory framework, the Malaysian general insurance market, and comparison of unaudited financial year's results against mid-year forecast, budget and previous year's financial results; the Company's strategic priorities, covering the Company strategies for its motor and non-motor businesses; and budget for the financial year.

(ii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained.

The Board has also conducted a mid-year review of the Strategic Plan 2021/2022 to evaluate the progress of the Company in meeting the strategic plan, ascertain the need to reallocate resources to better achieve the goals or to take corrective actions to keep the Company on track, as well as updating the plan for the remainder year, where necessary.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(iii) Identifying principal risks, approving the risk appetite, and ensuring implementation of appropriate systems to manage these risks.

The Company has established a Risk Management Framework, which covers, among others, accountability, roles and responsibilities for risk management, the risk management process, as well as the Company's risk appetite. The Board oversees implementation of the Risk Management Framework and ensures that appropriate systems and controls are developed to manage principal risks identified.

(iv) Succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key Senior Management of the Company.

The Board views succession planning as important in contributing to the long-term success of the Company. Good succession planning ensures continuous supply of suitable people who are ready to take over when Directors, Senior Management and other key employees leave the Company in a range of situations; continuity in delivering strategic plans by aligning the Company's human resources and business planning; and demonstrates the Company's commitment to developing careers for employees which will enable the Company to recruit, retain and promote high-performing staff. In this respect, among others, the Company has adopted a Succession Planning Policy, ensured that all key positions were identified, competencies were well-defined and job descriptions were developed that explains the general duties and responsibilities of the positions so that vacancies could be effectively and promptly filled. Staff are evaluated on an annual basis, which included referencing to the job descriptions and any performance goals set. Staff who have shown good potential are identified and provided with sufficient training and empowerment so that their performance could be assessed and their potential enhanced. The identified staff are also suitably compensated for the roles as part of retention of key staff.

During the financial year under review, the Board, assisted by the Risk Management Committee ("RMC"), has reviewed the Succession Planning, Employee Attrition and Retention document prepared by the Group Human Resource and Administration Department, which identified successors for Heads of Department and Branch Managers, mapped existing salaries to industry average, analysed attrition of manager level and above in the past 10 years, as well as benefits to retain talented employees.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(v) Promoting, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.

The Board is committed to promoting an ethical culture to enhance the standard of corporate governance of the Company. Towards this aim, the Board has adopted a Directors' Code of Ethics ("Code"), which outlines the standards of ethical behaviour which Directors should possess in discharging their duties and responsibilities. The Company has also adopted the Guidelines on the Code of Conduct for the General Insurance Industry for guidance of its employees. In addition, expectations of employee conduct to maintain high moral and ethical standards are included in the Employee Handbook and embedded in the policies, procedures and practices of the Company.

In addition, the Company has implemented an Anti-Corruption Programme in accordance with the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018). The Anti-Corruption Programme comprises policies, procedures, controls, training and communication to establish the necessary adequate procedures to prevent and/or reduce the risk of corruption. Some of the key policies developed included the Statement on Integrity, Anti-Corruption Policy, Conflicts of Interest Policy, and Whistleblowing Policy and Procedures; and Due Diligence Policy.

(vi) Establishing a whistleblowing policy that sets out avenue for legitimate concerns to be objectively investigated and addressed.

The Company has formalised a Whistleblowing Policy and Procedures to provide internal and external parties with secure reporting channels and guidance for them to disclose, in good faith, any wrongdoing, malpractice, unlawful behaviour or other improper conduct, or any violation of the Anti-Corruption Policy or any other established written policies and procedures within the Company, which could be harmful to the reputation of the Company and/or compromise the interests of the shareholders, clients or the public. It is also intended to encourage them to come forward without fear of reprisal, victimisation, harassment or subsequent discrimination arising from their disclosure.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(vii) Promoting sustainability through appropriate environmental, social and governance ("ESG") considerations in the Company's business strategies.

The Board acknowledges the importance of business sustainability, and takes into consideration the appropriate ESG aspects when conducting business operations. Some of the initiatives undertaken by the Company included raising internal awareness on the 3Rs of the environment, i.e. reduce, reuse and recycle, through effective use of resources and materials to minimise waste; making contributions to insurance, road safety and crime prevention awareness campaigns; donating to the poor and the needy; introducing PrOmilej insurance specifically for low mileage drivers to help them pay less than normal comprehensive private car insurance covers; waiving of all loadings on private car insurance purchased by disabled persons; and waiving of all riders and loadings for motorcycle insurance purchased by such persons.

(viii) Developing and implementing an investor relations programme or communications policy for the Company.

As there are only two shareholders presently, the Board is of the opinion that a shareholders communication policy is not necessary at this point in time. The Board will evaluate the need for such a policy should the number of shareholders increase significantly in the future. The Company communicates with shareholders mainly through the shareholder's Board representation, the Company's annual reports, quarterly management report and accounts, Board meetings, annual general meetings and extraordinary general meetings that may be convened, and other corporate publications on the Company's website at http://www.poi2u.com with the objective of ensuring fair, timely, effective, transparent, accurate and open communication with the shareholders of the Company.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(ix) Reviewing the adequacy and integrity of the Company's governance framework, internal control and risk management framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has established four Board Committees to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. They are the Nominating Committee, Remuneration Committee, Audit Committee and RMC. The Board Committees operate on Terms of Reference approved by the Board and have the authority to examine pertinent issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the entire Board.

(x) Ensuring that there is a reliable and transparent financial reporting process within the institution.

The Board, assisted by the Audit Committee, has reviewed the unaudited quarterly management report and accounts of the Company prior to submission of the management report and accounts to the holding company for purposes of preparation of the consolidated financial statements. Additionally, the Audit Committee and the Board have reviewed the unaudited interim financial statements for the six months ended 31 March 2022 and the audited financial statements of the Company for the financial year ended 30 September 2022 for purposes of filing with the relevant authorities.

(xi) Promoting timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

The Board takes cognisance of the need to report to BNM on matters which affect or may affect the safety and soundness of the Company. In this respect, the Company has adopted a Communication Policy to ensure effective communication between the Company and internal and external parties, including regulators. However, to-date, the Company has not encountered such matters which necessitated reporting to BNM.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The roles and responsibilities of the Board, as clearly set out in a Board Charter, and which have been carried out by the Board during the financial year, are as follows:

(xii) Overseeing and approving recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintaining or preserving critical operations and critical services when it comes under stress.

The Company has developed a Business Continuity Management plan, which consists of a Business Continuity Plan and a Disaster Recovery Plan. The plan is used to coordinate the response of all business units within the Company during a disaster and to ensure critical business functions are reinstated as soon as possible following an emergency, while full restoration of all services is planned and implemented on a concurrent basis.

The effectiveness of the Company's Business Continuity Management plan and pandemic preparedness were demonstrated during the recent COVID-19 pandemic. The Company had managed to keep its critical business functions operating daily throughout the pandemic to enable customers to purchase insurance and the Company to pay claims.

(xiii) Discharging and performing duties and responsibilities pertaining to anti-money laundering, countering financing of terrorism and targeted financial sanctions as provided in guidelines, circulars or directives issued by the relevant regulators.

The Board is committed to prevent the Company's operations from being abused for money laundering or other financial crimes, including the financing of terrorism. The Company has thus established an Anti-Money Laundering, Counter Financing of Terrorism & Targeted Financial Sanctions Policy to reflect its commitment to complying with applicable anti-money laundering, counter financing of terrorism and targeted financial sanctions regulations. The Company maintains an updated sanctions database on the United Nations Security Council Resolutions List and Domestic List issued by the Minister of Home Affairs. Sanctions screening on existing, potential or new customers is conducted against this sanctions database upon establishing business relationships, during in-force period of the policy and before any payout. Funds of such customers with positive name matches will be frozen, their transactions blocked or business rejected. The Company further conducts customer due diligence when establishing business relations, when it has any suspicion of money laundering and terrorism financing, or it has any doubt about the veracity or adequacy of previously obtained information. This involves verifying the identity of the customer against independent source documents. However, where the business relationship with the new customer involves a cash transaction of RM5,000 and above, an enhanced customer due diligence will be performed instead.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.1 Board Roles and Responsibilities (Cont'd.)

The Board has delegated to the CEO and the Management Committee certain matters in the day-to-day operations of the Company, which include running the Company in line with the Board's direction, recommending strategies and policies to the Board supported by background information, keeping the Board educated and informed and seeking the Board's counsel on significant matters. The delegated authority comprises specific authorities delegated to the CEO and those authorities which the CEO is permitted to delegate to his direct reports. From time to time, the Board may establish limits on Management's authority depending on the nature and size of the proposed transactions. These limits permit some flexibility but otherwise must not be exceeded without Board approval.

While the Board has delegated day-to-day responsibility for the management of the Company to the CEO and the Management Committee, certain matters are formally reserved for the Board's collective decision. The purpose of this is to ensure that the Board and Management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level.

The presence of the four Independent Directors on the Board provides the necessary checks and balances in the effective functioning of the Board. The Independent Directors do not participate in the day-to-day operations of the Company. They are all independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. Their expertise and independence allow them to provide unbiased and independent view, advice and judgment to take into account the interest, not only of the Company but also of shareholders, employees, agencies, insureds and communities in which the Company conducts business. The Independent Directors are also actively involved in the Board Committees of the Company.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.2 Separation of Chairman and CEO Positions

The roles of the Chairman and CEO are distinct and separate, each has a clearly accepted division of responsibilities to ensure a balance of power and authority.

The Chairman is primarily responsible for the orderly conduct and working of the Board. In this respect, the Chairman provides overall leadership in the process of reviewing and deciding upon strategic matters that influences the manner in which the Company's business is conducted, such as strategic planning and policy formulation, and enhancing Board effectiveness by leading activities and meetings of the Board such that the Board exercises appropriate oversight of Management and adopts appropriate practices in corporate governance and chairing of meetings of the Board. The Chairman also provides liaison between the Board and Management and acts as an advisor to and sounding board for the CEO and the Management Committee. Last but not least, the Chairman ensures that timely and relevant information and other resources, including adequate and regular updates from the CEO on all issues important to the welfare and future of the Company, are available to the Board to adequately support its work.

The Board has delegated day-to-day responsibility for the management of the Company to the CEO and the Management Committee. The CEO recommends strategies and policies to the Board supported by background information, implements the policies and strategies adopted by the Board, runs the Company in line with the Board's direction, oversees the overall business performance and ensures that matters that have been delegated to Management are efficiently executed. The CEO also establishes and achieves performance targets, implements corporate governance, risk management and internal controls and ensures compliance with legal requirements, keeps the Board educated and informed as well as seeks the Board's counsel on significant matters affecting the industry and the Company in general towards achieving long term goals of the Company.

1.3 Company Secretary

The Board is supported by a qualified, experienced and competent Company Secretary. The Company Secretary is an associate member of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") with more than fifteen years working experience in company secretarial services. Thus, the Company Secretary has the appropriate qualification and experience to hold the position.

The Company Secretary advises the Board on any updates relating to statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and corporate governance matters and liaises with external parties and regulatory bodies on compliance matters. Additionally, the Company Secretary organises and attends all Board and Board Committee meetings and ensures meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained at the registered office of the Company.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.4 Board Meetings

Board meetings for each financial year are scheduled in advance prior to the end of the current financial year and circulated to Directors and Senior Management before the beginning of each financial year. The Board holds regular meetings of no less than six times annually. The scheduled Board meetings are held to receive, deliberate and decide on matters reserved for its decision, including the Company's performance, the strategic plan of the Company, the Company's quarterly financial results and annual financial statements, the Company's unaudited interim financial statements, the Company's related party transactions and contracts, and strategic issues that affect the Company's business operation.

Additional meetings are convened as and when necessary to consider urgent matters that require the Board's expeditious review and consideration.

The Board met seven times during the financial year ended 30 September 2022. The details of attendance by each of the Director of the meetings are as follows:

Name of Board member	Designation	Number of meetings attended
Dato' Dr. Zaha Rina binti Zahari	Chairman, Independent Director	7/7
Mr. Chan Thye Seng	Executive Director	7/7
Mr. Prasheem Seebran	Non-Independent Non-Executive	7/7
Dr. Loh Leong Hua	Independent Director	7/7
Mr. Lim Tian Huat	Independent Director	7/7
Dato' Foong Chee Meng	Independent Director (Appointed to the Committee on 18 October 2022)	0/0
Pn. Norazian binti Ahmad Tajuddin	Independent Director (Resigned on 29 April 2022)	5/5

All the Directors had complied with the 75% minimum attendance requirement.

As a precautionary measure amid the COVID-19 pandemic, all Board and Board Committee meetings of the Company during the financial year were held on hybrid basis, where part of the attendees had joined the meetings from the office while the other attendees had joined remotely, enabled by audio and video conferencing technology. This was done to limit face-to-face meetings as a measure to curb the spread of the coronavirus. All Board meetings were conducted separately from Board Committee meetings to enable objective and independent discussion during the meetings.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.4 Board Meetings (Cont'd.)

The proceedings of all meetings, including all issues raised, deliberations, decisions and conclusions made at the Board of Directors' and Board Committees' meetings were recorded in the minutes of the Board of Directors' and Board Committees' meetings respectively.

1.5 Supply of Information

The Chairman sets the Board meeting agenda, with the assistance of the Company Secretary, and ensures adequate time is allocated for discussion of issues tabled to the Board for deliberation. Board members are provided with the relevant agenda and Board papers containing management and financial information in advance at least five business days prior to each Board meeting for their perusal and consideration and to enable them to obtain further clarification and unrestricted access to information on the matters to be deliberated, in order to facilitate informed decision making. A Director who has a direct or deemed interest in the subject matter presented at the Board meeting shall declare his interest and step out of the room when the subject matter is being deliberated to ensure the fairness of the deliberated matter at hand.

The Board is also informed of the decision and significant issues deliberated by Board Committees via reporting of the Chairman of the respective Board Committees. In between Board meetings, the Board is also informed or updated on important issues and/or major developments of matters discussed in the Board meetings by the management and/or the Company Secretary.

Furthermore, the Board is regularly kept updated and apprised of any regulations and policy documents as well as amendments thereto issued by regulators, particularly the effects of such new or amended regulations and policy documents on Directors specifically, and the Company generally.

All Directors have access to Senior Management personnel in the Company and may invite any employees to be in attendance at Board meetings to assist in its deliberations, if and when relevant. The Directors may seek independent professional advice at the Company's expense in furtherance of their duties, should the need ever arise.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.6 Board Charter

The Company has established a Board Charter to facilitate effective discharge of the Board's and Director's duties. The Board Charter covers the following key areas, among others, the roles of the Chairman and CEO; Board composition; Board appointment; size of the Board; time period of office; Directors' remuneration; induction of new Director; Directors' training; Board responsibilities; Board Committees; Board meetings; external professional commitments; internal control including risk management; and schedule of matters reserved for collective decision of the Board.

Matters reserved for the Board's decision comprise the following:

(i) Acquisitions and disposals of assets exceeding RM250,000;

(ii) Related party transactions of a material nature;

(iii) Various guidelines formalised for the core functions of the Company namely underwriting, claims, investment and reinsurance;

(iv) Corporate policies on investment, underwriting, reinsurance, claims management and risk management;

(v) New outsourcing arrangement or significant modifications to an existing outsourcing arrangement;

(vi) Delegation to management;

(vii) Setting of management limits;

(viii) Strategy setting, implementation and supervisory;

(ix) Board meetings and agenda setting;

(x) Board processes in meetings;

(xi) Monitoring of financial performance;

(xii) Monitoring of effectiveness of internal control system;

(xiii) Succession planning, self-evaluation and appointments;

(xiv) Remuneration review;

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.6 Board Charter (Cont'd.)

Matters reserved for the Board's decision comprise the following: (Cont'd.)

(xv) Stress test report; and

(xvi) Declaration of dividend.

1.7 Code of Ethics

The Board has adopted a Directors' Code which outlines the standards of ethical behaviour which the Directors should possess in discharging their duties and responsibilities. The Code was formulated based on four principles, i.e. compliance with legal and regulatory requirements, observance of the Board Charter, no conflicts of interest, and duty to act in the best interest of the Company at all times. The Code's aim is to enhance the standard of corporate governance and behaviour by establishing a standard of ethical behaviour for Directors as well as upholding the spirit of responsibility and social responsibility in line with legislation, regulations and guidelines.

The Company has also adopted the Guidelines on the Code of Conduct for the General Insurance Industry for guidance of its employees. In addition, expectations of employee conduct to maintain high moral and ethical standards are included in the Employee Handbook and embedded in the policies, procedures and practices of the Company.

1.8 Anti-Corruption Programme

In addition to the existing Directors' Code, financial and non-financial controls implemented, such as segregation of incompatible functions and multiple signatories for transactions, the Company has implemented an Anti-Corruption Programme in accordance with the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) to prevent and/or reduce the risk of corruption. The Anti-Corruption Programme comprises the following key policies or documents:

(i) Statement on Integrity

This Statement emphasizes the Company's commitment to the highest level of integrity in safeguarding the Company, its employees and business associates against the impact of corruption. Adherence to the Anti-Corruption Programme by all stakeholders will not only enable the Company to comply with applicable laws and regulations but afford the Company tangible business benefits and help support the service excellence needed to create and maintain long lasting relationships.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.8 Anti-Corruption Programme (Cont'd.)

The Anti-Corruption Programme comprises the following key policies or documents: (Cont'd.)

(ii) Anti-Corruption Policy

This Policy sets out Company's position to prevent corrupt practices in relation to its business activities. This Policy applies to all Directors, employees, business associates and other third parties associated with or acting on behalf of the Company. The Company has adopted a zero-tolerance approach to all forms of corruption. No Director, employee, business associate or other third party working in relation to the Company shall directly or indirectly, offer, give, receive or solicit any item of value with corrupt intent to influence the decisions or actions of a person in a position of trust within an organisation, either for the intended benefit of the Company or the persons involved in the transaction. All Directors, employees and business associates are required to sign integrity declarations to confirm that they have read, understood and will abide by this Policy.

(iii) Conflicts of Interest Policy

This Policy was established to prevent conflicts of interest (whether actual or potential conflicts) from damaging the well-being, business interests and reputation of the Company, and provide guidance to Directors, employees and business associates to identify and understand their obligations in disclosing and managing conflicts of interest.

This Policy requires Directors to disclose their conflicts to the Board of Directors, and where relevant, the prior approval of shareholders must be sought, in accordance with the applicable laws and regulations. The Company Secretarial Department shall record the declaration in the meeting minutes.

This is further enforced through the Directors' Code, which requires Board members to notify the Company Secretary of any change in their shareholding in the Company and its related corporations, whether direct or indirect, as well as directorships or interests in any other corporations. In addition, members of the Board who have a material interest, either directly or indirectly, in matters being considered by, or likely to be considered by the Board is required to declare that interest. Where a material related party transaction or contract is concerned, such Director shall also abstain from deliberation and voting on the matter and leave the meeting room when the decision on the contract or transaction is being deliberated and approved, in accordance with requirements of the Financial Services Act 2013.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.8 Anti-Corruption Programme (Cont'd.)

The Anti-Corruption Programme comprises the following key policies or documents: (Cont'd.)

(iii) Conflicts of Interest Policy (Cont'd.)

As for employees, the Conflicts of Interest Policy requires them to declare their conflicts of interest upon their commencement of work with the Company, and on an ad-hoc basis as and when any conflict arises. Business associates too are required to declare any conflicts of interest which arise as part of their commercial relationship with the Company prior to executing any business agreement or procurement process and as and when they become aware of a conflict of interest during their business activities with the Company.

(iv) Whistleblowing Policy and Procedures

This Policy and Procedures was designed to provide internal and external parties with secure reporting channels and guidance for them to disclose, in good faith, any wrongdoing, malpractice, unlawful behaviour or other improper conduct, or any violation of the Anti-Corruption Policy or any other established written policies and procedures within the Company, which could be harmful to the reputation of the Company and/or compromise the interests of the shareholders, clients or the public. It is also intended to encourage them to come forward without fear of reprisal, victimisation, harassment or subsequent discrimination arising from their disclosure.

Anyone who discloses wrongdoing or improper conduct in good faith and in compliance with the provisions of this Policy and Procedures shall be protected against any retaliation, arising from making the report. The identity of the whistleblower will be kept confidential to the extent possible and subject to legal constraints. Any other person assisting in the investigation may also be accorded similar protection as the whistleblower.

All disclosures related to the Company can be made by completing a Whistleblower Form with details and submitting it to a dedicated whistleblower email or by hand or courier to the Compliance Department. All Whistleblower Forms received by the dedicated whistleblower email will be channelled direct to the Audit Committee Chairman, the Chief Audit Executive and the Compliance Manager. Employees may also choose to report their concerns to the Company's CEO or Head of the Group Human Resource and Administration Department. In such cases, if the report can be verified and the matter is of a serious nature, the person receiving the information should advise the whistleblower to lodge a report with the Company through the relevant channels as stated above.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

1. BOARD RESPONSIBILITIES (CONT'D.)

1.8 Anti-Corruption Programme (Cont'd.)

The Anti-Corruption Programme comprises the following key policies or documents: (Cont'd.)

(iv) Whistleblowing Policy and Procedures (Cont'd.)

The investigators may be an independent internal or external party and must not consist of an implicated party. Wherever possible, any investigation should be completed in a timely manner, within a period of 30 days from the date of receipt of disclosure.

The Company will take appropriate action against any whistleblower who wilfully makes a false report, make reports with the intention to deceive or misinform, knowingly slanders and/or commits a defamation on others. Appropriate actions may include termination of employment, termination of services or contract, demotion or other legal redress.

The Company did not receive any allegations or complaints through the whistleblowing channel for the financial year under review.

(v) Due Diligence Policy

This Policy sets out the Company's commitment to conduct due diligence to ensure that its businesses are protected from corruption risks posed by Directors, employees, business associates and other third parties where corruption may be a factor.

This Policy requires relevant employees of the Company to conduct due diligence checks on prospective employees, business associates and other third parties, and certain projects, transactions and activities, especially where a significant corruption risk has been identified. The extent of the due diligence check required would be determined after taking into account any corruption risk assessment conducted, resources available and the magnitude of the project, transaction or activity.

1.9 Regulatory Compliance Framework

The Company has implemented a proactive, integrated regulatory compliance monitoring and control process, which lays the foundation for a stronger compliance environment. This provides assurance to the Company that its products and services offered are in a manner consistent with regulatory requirements and the Company's corporate responsibilities. The Regulatory Compliance Framework sets out the ground rules for the compliance and monitoring process. It further provides the Compliance Department with a mechanism to assist the Department in its role of compliance oversight.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION

2.1 Board Composition and Size

The Board currently comprises six Directors, made up of four Independent Directors, one Executive Director and one Non-Independent Non-Executive Director. Independent Directors form more than half of the Board, thus fulfilling the majority of Independent Directors requirement of BNM's policy document on Corporate Governance [ref. BNM/RH/PD 029-9]. All Independent Directors on the Board have met the independence criteria prescribed by BNM.

All Directors have fulfilled the minimum criteria of 'fit and proper person' as prescribed under the Financial Services Act 2013 and BNM's policy document on Fit and Proper Criteria [ref. BNM/RH/GL 018-5]. Further, all Directors have complied with the Company's policy on maximum number of external professional commitments, which restricts each Director from being on the board of not more than twelve companies.

2.2 Board Diversity

All Board appointments are made on merit, first and foremost, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. Nevertheless, the Company recognises the benefits of having a diverse Board, which will make good use of the differences in skills, industry experience, age, cultural background, gender and other distinctions among the Directors. These differences will be considered in determining Board balance and composition.

In this respect, the Board is focused on ensuring that its composition reflects gender diversity without compromising quality. Accordingly, the Board, when making appointments, will consider gender balance as well as the skills and experience needed to expand the perspective and capability of the Board as a whole. Women Directors currently form 17% of the Board.

The Board had conducted an assessment of its composition during the financial year. To assist the Board in its assessment, the Company has developed a Board Skills Matrix, which is used to evaluate the composition, knowledge, skills and experience of the Board as a whole. The assessment provides an insight as to how well the Board is able to meet its objectives and highlights areas where its performance can be enhanced or improved. Based on the results of the assessment, the Board was of the view that it has the right mix of individual qualities to fulfill its role and that Board composition in terms of size and the balance between Independent, Non-Independent Non-Executive and Executive Directors was adequate. Taken as a whole, the Board represents many years' experience in legal, accounting, insurance, actuarial, banking, treasury, fund management, business administration and risk management and support services, and is therefore suited to the oversight of the Company.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.2 Board Diversity (Cont'd.)

The same applies for appointments to Senior Management and the Company's workforce. The Company recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity, age, experiences and perspectives of our workforce to provide good customer service to an equally diverse customer base. The Company's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills enhancement, appointment to roles, retention of employees, succession planning and training and development.

2.3 Nominating Committee

The Nominating Committee was set up by the Board on 30 January 2002 to establish a documented, formal and transparent procedure for the appointment of Directors, CEO and other Key Responsible Persons (senior officers) and to assess the effectiveness of the Chairman of the Board and each Director, the Board as a whole and the various committees of the Board, the CEO and other Key Responsible Persons (senior officers).

As at 30 September 2022, the Nominating Committee comprised five Directors, with more than half of them being Independent Directors.

The principal duties and functions of the Nominating Committee include the following:

(i) To assist the Board in an annual review of the overall composition of the Board in terms of appropriate size and required mix of skills, the balance between Executive, Non-Executive and Independent Directors, mix of expertise and experience, and other core competencies required.

(ii) To assess and recommend to the Board the nominees for directorships, the Directors to fill Board Committees as well as nominees for the Chairman of the Board and CEO.

(iii) To establish a mechanism for formal assessment of the effectiveness of the Board as a whole, the contribution of the Chairman of the Board and each Director to the effectiveness of the Board, as well as the contribution of the various Board Committees and the performance of the CEO. These assessments are to be carried out on an annual basis.

(iv) To review annually the independence of the Independent Directors.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.3 Nominating Committee (Cont'd.)

The principal duties and functions of the Nominating Committee include the following: (Cont'd.)

(v) To make recommendation to the Board on removal of a Director/CEO if he or she is ineffective, errant or negligent in discharging his or her responsibilities.

(vi) To identify and recommend suitable programmes to ensure all Directors receive continuous training or enhancement of knowledge particularly pertaining to regulatory developments from time to time.

(vii) To oversee the appointment, management succession planning and performance evaluation of other Key Responsible Persons (senior officers) and recommend to the Board the removal of other Key Responsible Persons (senior officers) if they are ineffective, errant and negligent in discharging their responsibilities.

The Nominating Committee held five meetings during the financial year. The details of attendance by each of the members at the meetings are as follows:

Name of Committee member	Number of meetings attended
Dr. Loh Leong Hua (Chairman)	5/5
Dato' Dr. Zaha Rina binti Zahari	5/5
Mr. Chan Thye Seng	5/5
Mr. Prasheem Seebran	5/5
Mr. Lim Tian Huat	5/5
Dato' Foong Chee Meng (Appointed to the Committee on 18 October 2022)	0/0
Pn. Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	3/3

During the financial year, the Nominating Committee had carried out the following activities:

(i) Reviewed and recommended to the Board the re-appointment of in-house Appointed Actuary of the Company, subject to BNM's approval.

(ii) Assessed the performance of the Board as a whole, the Board Committees, the Chairman of the Board, individual Directors, the CEO and the COO; the fitness and propriety of the individual Directors; as well as the independence of the Independent Directors.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.3 Nominating Committee (Cont'd.)

During the financial year, the Nominating Committee had carried out the following activities: (Cont'd.)

(iii) Reviewed and recommended to the Board the re-appointment of the Executive Director and the Independent Directors, subject to BNM's approval.

(iv) Reviewed and recommended to the Board the appointment of proposed Independent Directors to the Board, subject to BNM's approval.

(v) Assessed the eligibility, including the fitness and propriety, of an expatriate to be re-appointed as Head of Pricing & Product Development Department, prior to submission of application to BNM for approval.

(vi) Reviewed and recommended to the Board the revised Fit & Proper Criteria Policy and enhanced list of Key Responsible Persons for adoption of the Company.

2.4 Appointments to the Board

The Nominating Committee is responsible for identifying, assessing and recommending to the Board, suitable nominees for appointment to the Board and Board Committees. Nominees are normally sourced through recommendations by existing Board members. Nevertheless, the Nominating Committee is open to utilising independent sources, such as recruitment agencies, to identify suitably qualified candidates where suitable nominees could not be sourced through the normal channel.

In making recommendations for nominees for Directorships, the Nominating Committee is guided by a comprehensive Procedures for Appointment of New Directors, CEO and Other Key Responsible Persons. The Nominating Committee will consider the candidate's character, skills and competence, knowledge, expertise and experience, professionalism, integrity, time commitment, possible representation of interest groups, as well as the candidate's directorship in other companies, having regard to the size of the Board, with a view of determining the impact of the number upon its effectiveness, and the required mix of skill and diversity required for an effective Board.

Further, in the case of candidates for the position of Independent Directors, the candidates' independence as well as ability to discharge such responsibilities/functions as expected from Independent Directors will be evaluated.

The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the whole Board before the application is submitted to BNM for approval. BNM's approval will be for a specified term of appointment.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.4 Appointments to the Board (Cont'd.)

During the year under review, the Company has appointed Dato' Foong Chee Meng to the Board. In accordance with Article 84C of the Constitution of the Company, the Director shall hold office only until the forthcoming Annual General Meeting and shall be eligible for re-election at that meeting.

On appointment of new Directors, the Management would facilitate the Directors' induction by providing the Directors with relevant information about the Company.

2.5 Assessment of Effectiveness of the Chairman of the Board, Individual Directors, the Board as a Whole and the Board Committees

The Nominating Committee has established procedures for assessment of effectiveness of the Chairman of the Board, individual Directors, the Board as a whole, the Board Committees, the CEO and other Key Responsible Persons (senior officers).

Assessment of the effectiveness of the Chairman of the Board, individual Directors, the Board as a whole and Board Committees are conducted on a peer review basis, facilitated by the use of assessment forms. In the case of the Chairman of the Board, the Chairman of the Board is assessed whether he or she has fulfilled his or her role in building Boardroom dynamics and dealing effectively with dissent and working constructively towards consensus, overseeing an effective decision-making process and ensuring crucial alternatives are considered, ensuring the Board's workload is properly managed and allocated to delegated committees with specific terms of reference approved by the Board, leading the Board effectively, maintaining a good working relationship with CEO, and ensuring that the integrity and effectiveness of the governance process of the Board. As for individual Directors, each individual Director is assessed on the person's contribution to interaction, quality of input at meetings, the person's understanding of a Director's role and whether he or she has fulfilled his or her specific roles. In addition, each individual Director's attendance at Board and Board Committee meetings are also monitored to ensure that appointed Directors are able to devote the required time to serve the Board effectively.

As for Board assessment, the criteria considered include Board structure, Board meetings, Board's roles and responsibilities, and planning and objectives. When assessing Board Committees, each Committee is assessed as to whether it has carried out its responsibilities under its terms of reference, the skills and competencies of the committee members, meeting conduct and administration and Board communication.

In respect of the assessment conducted during the financial year, the Board was satisfied that the Board, the Board Committees, the Chairman of the Board and individual Directors have discharged their duties and responsibilities effectively.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.5 Assessment of Effectiveness of the Chairman of the Board, Individual Directors, the Board as a Whole and the Board Committees (Cont'd.)

The Nominating Committee also performs fit and proper assessments of the Directors, CEO, COO, Appointed Actuary and Company Secretary, prior to initial appointment and annually thereafter. Whereas fit and proper assessments of senior officers, which include Department General Managers, Financial Controller and persons assuming primary responsibility for key control functions (which comprise the Chief Audit Executive, Head of Risk Management and Head of Compliance) are undertaken by the CEO and COO. The fit and proper assessment covers the person's probity; personal integrity and reputation; competence and capability; and financial integrity. Any person who fails to meet the fit and proper requirements shall cease to hold office and act in such capacity.

2.6 Reappointment and Re-election

The reappointment of a Director upon expiry of his or her current term of office as approved by BNM, is also subject to the prior approval of BNM. The Nominating Committee is responsible for assessing the performance of Directors whose term of office as approved by BNM is due to expire, and submitting their recommendation to the Board for decision. Reappointment of a Director is contingent on the satisfactory evaluation of the Director's performance and contribution to the Board. In the case of Independent Directors, the Nominating Committee also assesses the independence of the Directors prior to their reappointment as Independent Directors.

Further, in accordance with the Constitution of the Company, at least 1/3 of the Directors shall retire from office by rotation at each Annual General Meeting but shall be eligible for re-election at the Annual General Meeting. A retiring Director is eligible for re-election at the Annual General Meeting.

At the 50th Annual General Meeting of the Company held on 22 February 2022, shareholders' approval were obtained to re-elect Dato' Dr. Zaha Rina binti Zahari and Dr. Loh Leong Hua, who had retired as Directors of the Company pursuant to Article 80 of the Constitution of the Company.

The Directors who will be seeking re-election at this forthcoming Annual General Meeting pursuant to Article 80 of the Constitution of the Company are Mr. Prasheem Seebran and Mr. Lim Tian Huat.

The Board Charter stipulates that the tenure limits for Independent Directors shall generally not exceed nine years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Company. The four Independent Directors currently on the Board have not exceeded the nine-year limit.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.7 Fostering Commitment

The Directors have been informed of the expectations of time commitment during their appointments to the Board. This takes the form of the number of Board and Board Committee meetings scheduled to be held in a financial year. All Directors are aware of their responsibilities and are required to devote sufficient time to discharge their duties and responsibilities, which included attendance at meetings of the Board and Board Committees, preparatory work ahead of such meetings, keeping abreast of relevant business developments and legislations, contribution to the strategic development of the business, providing counsel and guidance to the Management team and meeting with professional advisers and external auditors, where necessary. The Directors' commitment is evidenced by their attendance at all Board and Board Committee meetings. The Board is thus satisfied with the level of time commitment by each of the Directors towards fulfilling their roles on the Board and Board Committees.

2.8 Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors. The Directors are mindful of the need for continuous training to keep abreast of new developments and are encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board identifies the training needs of the Board as a whole while the individual Directors are given a free hand to identify their own training needs, taking into consideration their memberships on the boards of other companies as well.

All new Non-Executive Directors are required to attend an orientation programme to familiarise themselves with the insurance industry and the Company in order to ensure that the Directors are equipped with the necessary skills to discharge their duties and responsibilities.

All the Directors of the Company have attended the high level Finance Institutions Directors' Education ("FIDE") programme developed by BNM and Perbadanan Insurans Deposit Malaysia ("PIDM") in collaboration with the International Centre for Leadership in Finance. During the financial year ended 30 September 2022, the Directors had also attended training covering a broad range of areas, such as sustainability, statutory regulations, insurance, corporate governance, anti-corruption, strategic planning, succession planning and occupational safety and health.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.8 Directors' Training (Cont'd.)

The details of training attended by each individual Director are as follows:

Name of Director	Training Course
Dato' Dr. Zaha Rina binti Zahari	• FIDE Forum - Dialogue on Sustainability • Detecting Financial Fraud & Business Transformation • FIDE Forum - Annual Dialogue with Governor of Bank Negara Malaysia • FIDE Forum - Engagement Session with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms • FIDE Forum - CGM Conversations with Chairmen: A Standing Item in Board Agendas • Environment, Social and Governance ("ESG") and Climate Risk Impacts on the Insurance Industry
Mr. Chan Thye Seng	• Environment, Social and Governance ("ESG") and Climate Risk Impacts on the Insurance Industry
Mr. Prasheem Seebran	• Environment, Social and Governance ("ESG") and Climate Risk Impacts on the Insurance Industry • Occupational Safety & Health • Succession Planning Workshop • Sanlam Masterclass: Leading Remote Work • Sanlam Masterclass: Leading Team Performance • Sanlam Masterclass: Managing Health, Safety & Wellness • EMC Coaching with HumanInc - Agile Leadership • EMC Coaching with HumanInc - Courageous Conversations • Sanlam AML
Dr. Loh Leong Hua	• Maximising Integrity: The Role of Directors and Senior Management in Keeping Anti-Corruption System Strong • FIDE Forum - Dialogue on Sustainability • AMLA 2001 & MACC Act 2009: Compliance A Need to Protect Business • The 2050 Net Zero Carbon Emissions Target: Finance's Role • ICDM Post Budget (2021) PowerTalk • FIDE Forum - Dialogue on Climate Risk Management and Scenario Analysis • Securities Commission Audit Oversight Board's Conversation with Audit Committees • Talent Uprising - How Boards Should Rethink Their Talent Strategy in this ERA of Opportunity

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

2. BOARD COMPOSITION (CONT'D.)

2.8 Directors' Training (Cont'd.)

The details of training attended by each individual Director are as follows: (Cont'd.)

Name of Director	**Training Course**
Dr. Loh Leong Hua (Cont'd.)	• Sustainability Charter under ESG Framework Training • Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectations in Regulatory Compliance Programme • ESG Training • FIDE Forum - Recovery and Resolution Planning Sharing Session
Mr. Lim Tian Huat	• Digital Banking BNM Guidelines on Recovery Planning • Maximising Integrity: The Role of Directors and Senior Management in Keeping Anti-Corruption System Strong • AML/CFT and Corporate Liability Training • The Importance of Considering the 'Code of Ethics' when Exercising Judgement • Practical MPERS for Inventories, Investment Property, PPE and Intangible Assets other than Goodwill • MIA Forum with Audit Practitioners • Pathway for Tax Agent License – A Comprehensive Guidance • MIA Conference 2022 • Environment, Social and Governance ("ESG") and Climate Risk Impacts on the Insurance Industry
Dato' Foong Chee Meng	• Palm Oil Economics Review and Outlook ("R&O") Conference 2022

In addition, the Directors continuously receive briefings and updates on the Company's business and operations, risk management activities, corporate governance, finance, developments in the business environment, new regulations and statutory requirements which included BNM and PIDM policy documents and circulars, as well as Persatuan Insurans Am Malaysia ("PIAM") circulars. The Board will continue to evaluate and determine the training needs of the Board members as a whole to enhance their skills and knowledge.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

3. REMUNERATION

3.1 Remuneration Committee

The Remuneration Committee was established by the Board on 3 October 2001 to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and other Key Responsible Persons (senior officers) and ensuring their compensation is competitive and consistent with the Company's culture, objectives and strategy.

As at 30 September 2022, the Remuneration Committee comprises four Directors with a majority of members being Independent Directors.

The principle duties and functions of the Remuneration Committee are as follows:

(i) To determine and recommend for approval of the Board, the framework or policy relating to the remuneration of Directors, CEO and other Key Responsible Persons (senior officers). The framework or policy is consistent with BNM's policy document on Corporate Governance [ref. BNM/RH/PD 029-9].

(ii) To recommend to the Board the remuneration packages of the CEO and key senior officers. The remuneration packages of the CEO and key senior officers (other than persons assuming primary responsibility for key control functions) are structured such that they link rewards to corporate and individual performances to encourage high performance standards.

(iii) To review and recommend to the Board the remuneration of the Non-Executive Directors within the limits set by the shareholders. A Non-Executive Director shall abstain from discussions relating to his or her remuneration. The remuneration of a Non-Executive Director should reflect the level of responsibilities undertaken and contributions to the effectiveness of the Board.

The Remuneration Committee held one meeting during the financial year. Attendance of the members at the meetings are as follows:

Name of Committee member	Number of meetings attended
Mr. Lim Tian Huat (Chairman)	1/1
Dato' Dr. Zaha Rina binti Zahari	1/1
Mr. Prasheem Seebran	1/1
Dr. Loh Leong Hua	1/1
Dato' Foong Chee Meng (Appointed to the Committee on 18 October 2022)	0/0
Pn. Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	1/1

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

3. REMUNERATION (CONT'D.)

3.1 Remuneration Committee (Cont'd.)

During the financial year, the Remuneration Committee had carried out the following activities:

(i) Reviewed and recommended to the Board the remuneration of the CEO and COO.

(ii) Reviewed and recommended to the Board fees and benefits of Non-Executive Directors.

3.2 Remuneration Policy

The Company has adopted a Remuneration Policy, which governs the remuneration of the Executive Director, Non-Executive Directors, CEO and other Key Responsible Persons (which comprises senior officers, including persons assuming primary responsibility for key control functions, i.e. the Chief Audit Executive, Head of Risk Management and Head of Compliance).

Remuneration of Directors

The Executive Director of the Company, Mr. Chan Thye Seng, is the Board representative of the holding company and is not directly involved in the day-to-day management and operations of the Company. As such, he is not remunerated with any salary and bonus. Instead, he is paid an annual fixed meeting allowance.

The remuneration of the Non-Executive Directors shall be a fixed sum and reflects the level of responsibilities undertaken and contribution to the effective functioning of the Board and Board Committees. The Chairman of the Board is paid at a higher level than the other members to reflect the wider responsibilities required for the position. The remuneration is deliberated upon by the full Board before recommendation is made to the shareholders who shall decide by resolution in general meeting. Directors do not participate in decisions regarding their own remuneration packages.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

3. REMUNERATION (CONT'D.)

3.2 Remuneration Policy (Cont'd.)

Remuneration of Directors (Cont'd.)

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

	Unrestricted					
	Fixed remuneration			**Variable remuneration**		
Name of Director	**Cash based RM'000**	**Shares and share-linked RM'000**	**Others* RM'000**	**Cash based RM'000**	**Shares and share-linked RM'000**	**Others RM'000**
Dato' Dr. Zaha Rina binti Zahari	100	-	2	-	-	-
Mr. Chan Thye Seng	50	-	-	-	-	-
Mr. Prasheem Seebran	80	-	6	-	-	-
Dr. Loh Leong Hua	80	-	3	-	-	-
Mr. Lim Tian Huat	80	-	8	-	-	-
Dato' Foong Chee Meng (Appointed on 1 September 2022)	7	-	-	-	-	-
Pn. Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	46	-	-	-	-	-
Total value of remuneration awards for the financial year	**443**	**-**	**19**	**-**	**-**	**-**

* Comprises insurance benefits.

Remuneration of the CEO and other Key Responsible Persons (Senior Officers)

The Company has defined other Key Responsible Persons (senior officers) to comprise the CEO, Department General Managers, the Appointed Actuary, the Financial Controller, and persons assuming primary responsibility for key control functions (i.e. the Chief Audit Executive, Head of Risk Management and Head of Compliance).

The remuneration payable to other Key Responsible Persons (other than persons assuming primary responsibility for key control functions) is linked to the achievement of the individual's areas of responsibility, project success and performance targets while engendering responsible risk behaviours.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

3. REMUNERATION (CONT'D.)

3.2 Remuneration Policy (Cont'd.)

Remuneration of the CEO and other Key Responsible Persons (Senior Officers) (Cont'd.)

The Company's Senior Management team comprises the CEO, the COO and the 2 Department General Managers. There are no other material risk takers in the organisation.

The following tables summarise the remuneration paid to the CEO and the Company's Senior Management team for the financial year 2022:

Total value of remuneration awards for the financial year - CEO	**Unrestricted RM'000**	**Deferred RM'000**
Fixed remuneration		
• Cash-based	795	-
• Shares and share-linked instruments	46	-
• Others	137	-
Variable remuneration		
• Cash-based	110	-
• Shares and share-linked instruments	-	-
• Others	-	-

Total value of remuneration awards for the financial year - Senior Management team	**Unrestricted RM'000**	**Deferred RM'000**
Fixed remuneration		
• Cash-based	1,798	-
• Shares and share-linked instruments	29	-
• Others	319	-
Variable remuneration		
• Cash-based	286	-
• Shares and share-linked instruments	-	-
• Others	-	-

None of the Senior Management team members had received any guaranteed bonuses, sign-on awards or severance payments during the financial year. The variable remuneration paid to the 3 senior officers in the team were mainly in respect of non-guaranteed bonuses.

The remuneration payable to persons assuming primary responsibility for key control functions are principally based on the Company's overall performance as well as achievement of their overall control functions' objectives without compromising their independence. The remuneration is set at sufficient levels to ensure that competent and experienced professionals can be attracted and retained across business cycles.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

3. REMUNERATION (CONT'D.)

3.2 Remuneration Policy (Cont'd.)

Remuneration of Employees

The Remuneration Policy reflects the need to attract, motivate and retain calibre employees with the relevant experience, qualification and expertise required to assist the Company in achieving its long-term goals. The remuneration system shall be in line with the business and risk strategies, corporate values and long-term interests of the Company. The remuneration shall also commensurate with the competitive market and business environment in which the Company operates and is periodically assessed to ensure it achieves its objective consideration of being comparable to other companies in the insurance industry. Such remuneration shall also promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers.

The Company's remuneration package comprises a mixture of fixed cash compensation (basic salary, fixed allowances and ESOS), variable cash compensation (performance bonus) and benefits. The remuneration package provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome, as well as the individual's level and accountability.

EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

4.1 Audit Committee

The Audit Committee was established by the Board on 22 May 1995 to review the Company's processes for producing financial data, its internal control, the independence of the Company's External Auditors and maintain an open line of communication and consultation between the Board, the Internal Auditors, the External Auditors and Management.

As at 30 September 2022, the Audit Committee comprises four Directors, all of whom are Non-Executive Directors, with a majority being Independent Directors.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

4. AUDIT COMMITTEE (CONT'D.)

4.1 Audit Committee (Cont'd.)

The principal duties and functions of the Audit Committee are as follows:

(i) To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the Internal Audit function in the Company.

(ii) To review the following and report to the Board:

(a) Co-ordination with the External Auditors, including matters pertaining to their audit plan, fees, auditors' reports, management letters and liaison with Internal Audit function.

(b) The suitability for nomination, appointment and reappointment of the External Auditors, including assessment of the various relationships between the External Auditors and the Company or any other entity that may impair or appear to impair the External Auditors' objectivity, performance and independence.

(c) The internal audit plan of work programme, including the appropriateness of the risk management methodology employed to determine the frequency and scope of audit.

(d) Independence and reporting relationships of the Internal Audit function as well as the adequacy and relevance of the scope, functions, competency and resources and the necessary authority to carry out its work.

(e) The quarterly and annual results of the Company prior to presentation for approval to the Board of Directors. The Audit Committee also reviews the disclosure in the Directors' Report on the manner standards specified in BNM's policy document on Corporate Governance [ref. BNM/RH/PD 029-9] are complied with and the extent guidance stated therein are adopted.

(f) The propriety of any related party transaction and conflicts of interest situation that may arise within the Company, including any transaction, procedure or course of conduct that may raise questions of management integrity.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

4. AUDIT COMMITTEE (CONT'D.)

4.1 Audit Committee (Cont'd.)

The principal duties and functions of the Audit Committee are as follows: (Cont'd.)

(iii) To prepare the Report of the Audit Committee for submission to BNM, not later than 31 January of each year covering the composition of the Committee, number of meetings held and attendance thereon, as well as the activities undertaken by the Audit Committee and Internal Audit function during the year.

(iv) To perform any other work required or empowered by statutory legislation or guidelines issued by the relevant government or regulatory authorities.

The Audit Committee held four meetings during the financial year. Attendance of the members at the meetings are as follows:

Name of Committee member	**Number of meetings attended**
Mr. Lim Tian Huat (Chairman)	4/4
Dato' Dr. Zaha Rina binti Zahari	4/4
Mr. Prasheem Seebran	4/4
Dr. Loh Leong Hua	4/4
Dato' Foong Chee Meng (Appointed to the Committee on 18 October 2022)	0/0
Puan Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	2/2

During the financial year, the Audit Committee had reviewed seventeen internal audit and corporate governance reports as well as the unaudited quarterly and half yearly financial results and the results of the annual audit, including the External Auditor's audit report and management letter.

4. AUDIT COMMITTEE (CONT'D.)

4.2 Relationship with External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors. It is the policy of the Audit Committee to meet with the External Auditors at least twice a year, the first during presentation of their Audit Plan, and the second when the External Auditors present their report on the Company's financial statements for the financial year as well as other information in the Company's annual report, and their Report to the Audit Committee. The Audit Committee also meets twice with the External Auditors without the presence of the Management whenever deemed necessary. In the financial year ended 30 September 2022, the Audit Committee had met twice with the External Auditors without the presence of Management, the first meeting to discuss matters relating to their remit and any issues arising from their statutory audit, and the second to discuss any matters which the External Auditors noted in the course of preparation of their 2022 Audit Plan which they wished to discuss with the Audit Committee. Nevertheless, the External Auditors had not brought up any significant issues which warranted the attention of the Audit Committee during the discussions.

The Audit Committee has adopted a Policy and Procedures to Assess the Suitability, Objectivity and Independence of the External Auditors, which lays down the selection criteria for consideration when appointing new external auditors; the assessment criteria for consideration when reappointing or removing the existing external auditors; the assessment process; resignation of external auditors; review of audit and non-audit services fees and ensuring that the undertaking of such non-audit services will not in any way impact the external auditors' professional independence; and rotation of the external audit engagement partner.

The Audit Committee has assessed and reviewed the suitability and independence of the External Auditors and recommended their re-appointment for the financial year ending 30 September 2023. The Audit Committee's assessment had included a review of the curriculum vitae of the engagement partner and the concurring partner as well as completed its own assessment, which covered the following considerations - minimum qualifying criteria for External Auditors, the scope of audit and auditors' performance, their independence and objectivity, audit fees, the resources (manpower, tools and collective knowledge of professionals globally) of the External Auditors to carry out their audit during the financial year, their insurance audit experience, as well as the nature, scope and fee of non-audit services to ensure that such services are permissible and that the fees are reasonable, fair and realistic, having regard to the nature, scope and complexity of the non-audit services undertaken so as to preserve the External Auditors' professional independence. The Audit Committee had also received feedback from Management on the professional working relationship with the External Auditors. The Audit Committee had obtained written assurance from the External Auditors confirming that in relation to their audit of the financial statements of the Company for the financial year, the External Auditors were not aware of any relationships or matters that may reasonably be brought to bear on their independence.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

4. AUDIT COMMITTEE (CONT'D.)

4.2 Relationship with External Auditors (Cont'd.)

The External Auditors are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Code of Ethics for Professional Accountants (including International Independence Standards), and the requirements of the Companies Act, 2016 in Malaysia. Based on the written assurance from the External Auditors and the Audit Committee's own assessment performed, the Audit Committee was satisfied with the suitability and independence of the External Auditors. The Audit Committee's assessment was concurred by the Board of Directors. Shareholders' approval will be sought for the re-appointment of the External Auditors in the forthcoming annual general meeting before an application for approval is sought from BNM.

4.3 Financial Reporting

In presenting the annual financial statements, quarterly reports and unaudited interim financial statements to shareholders, relevant authorities and other stakeholders, the Board is committed to provide a balanced, fair and comprehensive assessment of the Company's position and that the financial statements comply with regulatory reporting requirements. The Audit Committee assists the Board in reviewing all the information disclosed to ensure its adequacy, accuracy and integrity, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events, corrected material misstatements related to the year-end accounts, and compliance with accounting standards and other legal requirements, prior to recommendation to the Board for approval. The ultimate objective of such review is to ensure that the External Auditors express an unqualified opinion on the financial statements of the Company.

The Directors are of the opinion that the Company uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, and which give a true and fair view of the financial position of the Company as at 30 September 2022, and of its financial performance and its cash flows for the year.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

5.1 Risk Management Committee

The RMC was established by the Board on 17 June 2003 to oversee the Senior Management's activities in managing the key risk areas of the Company and ensuring that the risk management process is in place and functioning effectively.

As at 30 September 2022, the RMC comprises four Directors, with a majority of the members being Independent Directors.

The principle duties and functions of the RMC are as follows:

(i) To review and recommend risk management strategies, policies and risk tolerance limits for the Board's approval.

(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which the framework is operating effectively.

(iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management, i.e. ensuring that the staff responsible for implementing risk management perform those duties independently of the Company's risk taking activities.

(iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(v) To provide oversight of all technology risk-related matters.

The RMC held five meetings during the financial year. Attendance of the members at the meetings are as follows:

Name of Committee member	**Number of meetings attended**
Dr. Loh Leong Hua (Chairman)	5/5
Dato' Dr. Zaha Rina binti Zahari	5/5
Mr. Prasheem Seebran	5/5
Mr. Lim Tian Huat	5/5
Dato' Foong Chee Meng (Appointed to the Committee on 18 October 2022)	0/0
Puan Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	3/3

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.1 Risk Management Committee (Cont'd.)

During the financial year, the RMC had carried out the following activities:

(a) Operational, legal and regulatory risks

(i) Reviewed risk review reports covering strategic risks of the Company, all known operational risks identified by the individual business units, key outsourcing risks pertaining to the Company's outsourcing arrangements, project risks pertaining to implementation progress of MFRS 17, and risk dashboards.

(ii) Reviewed the revised and updated Internal Capital Adequacy Assessment Process document.

(iii) Reviewed the revised Terms of Reference of the RMC, Risk Management Framework, the Company's Policy on Gifts and Hospitality and Capital Management Plan before recommending to the Board for approval and adoption.

(iv) Reviewed the proposed RBC Framework Design prepared by the in-house Appointed Actuary.

(v) Reviewed and approved the proposed stress testing scenarios to be tested in the annual stress testing exercise.

(vi) Took note of the Company's progress in implementing the Anti-Corruption Programme that will provide assurance to the Company that its systems, policies and procedures are 'reasonable and proportionate' to its nature and size and that they are in line with the 'Guidelines on Adequate Procedures' issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).

(vii) Reviewed the Succession Planning, Employee Attrition and Retention document prepared by the Group Human Resource and Administration Department.

(viii) Reviewed the risk review plan developed by the Risk Management Department ("RMD").

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.1 Risk Management Committee (Cont'd.)

During the financial year, the RMC had carried out the following activities: (Cont'd.)

(b) Information technology ("IT") risks

(i) Reviewed the IT and Cyber Security Strategic Plan as well as IT Budget developed by the IT Infrastructure Department.

(ii) Reviewed the Data Governance Officer's annual attestation on customer data protection.

(iii) Reviewed the Enterprise Architecture Framework for Technology before recommending to the Board for approval and adoption.

(iv) Reviewed the revised Technology Risk Management and Cyber Resilience Framework before recommending to the Board for approval and adoption.

(v) Reviewed the Cyber Resilience Maturity Assessment exercise.

(vi) Monitored the progress of the Company's compliance with BNM's policy document on Risk Management in Technology [ref. BNM/RH/PD 028-98] and the Bank's letter on Supervisory Expectations to Manage Risk of Customer Data Breaches.

(vii) Reviewed the CEO's Quarterly Report on information technology matters.

(viii) Reviewed the Information Security and Data Privacy Report prepared by the Manager, Information Security and Data Privacy.

5.2 Risk Management Framework

The Board regards risk management as an integral part of the Company's business operations and has accordingly established a formal Risk Management Framework to assist in the identification, evaluation, management and reporting of significant risks that may affect the achievement of its business objectives throughout the financial year under review and up to the date of this report.

The RMC meets regularly to oversee the development of risk management policies and procedures, monitor and evaluate the numerous risks that may arise from the business activities. A RMD has also been established to assist the RMC to discharge its duties.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.2 Risk Management Framework (Cont'd.)

The formulated Risk Management Framework, covers, among others, risk management principles and philosophy/policy; accountability, roles and responsibilities for risk management; risk management structure and cycle; and risk management process.

The RMC receives regular reports from the RMD, which in turn receives regular information on risks from the respective risk owners.

5.3 Technology Risk Management Framework and Cyber Resilience Framework

With the more prevalent use of technology in the Company and the growing sophistication of cyber threats, the Company has established a Technology Risk Management Framework and Cyber Resilience Framework to guide and manage technology and cyber risks in a systematic and consistent manner. A Technology Risk Management Framework safeguards the Company's information structure, systems and data, while a Cyber Resilience Framework enhances the Company's cyber resilience. The frameworks were prepared in accordance with BNM's policy document on Risk Management in Technology [ref. BNM/RH/PD 028-98] and cover, among others, the scope of coverage or applicability; roles and responsibilities; guiding principles and minimum standards; technology and cyber risk process; and technology and cyber risk sources and classification.

The RMC meets regularly to oversee development of technology and cyber risk management policies and procedures, monitor and evaluate technology and cyber risks that may arise from its business activities. A Manager, Information Security and Data Privacy, assists the RMC to discharge its duties.

5.4 Internal Control Framework

The Board maintains a sound system of internal control, covering not only financial controls but also operational and compliance controls. The system of internal controls is designed to provide reasonable assurance of effectiveness and efficiency of operations and programs, reliability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. Nevertheless, the system of internal control, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.4 Internal Control Framework (Cont'd.)

Management has established an Internal Control Framework, which main features are control environment, risk assessment, control activities, information and communication, and monitoring activities. Control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organisation. Risk assessment is the process of setting objectives, identifying and evaluating risks that can threaten the objectives. Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Information and communication is the process of obtaining or generating and using relevant and quality information from both internal and external sources to support the functioning of internal control. Monitoring activities are the ongoing evaluations, separate evaluations, or a combination of the two, which are used to ascertain whether internal controls are present and functioning.

The Company uses the three lines of defence model to review and assess the Internal Control Framework. The first line of defence comprises business units, who are responsible for ensuring that a risk and control environment is established as part of day-to-day operations. The second line of defence comprises the Risk Management and Compliance Departments, which provide oversight over business processes and risks on an ongoing basis. The Internal Audit function is the third line of defence, providing independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. Such assurance is provided regularly upon completion of governance and internal control assignments undertaken by Internal Audit.

5.5 Internal Audit Function

The internal audit function of the Company has been outsourced to the Group Internal Audit Department of the holding company, POB, which is independent of the activities it audits and is performed with impartiality, proficiency and due professional care. It undertakes regular reviews of the appropriateness and effectiveness of corporate governance practices, as well as adequacy and effectiveness of the Company's system of internal controls and risk management process based on Audit Planning Memorandums approved by the Audit Committee. In addition, it also assists the Audit Committee in its oversight of the Company's financial reporting. The Group Internal Audit Department reports directly to the Audit Committee. The activities of this Department provides the Board with much of the assurance it requires regarding the adequacy and integrity of the risk management and internal control systems and corporate governance practices, as well as internal control over financial reporting.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.6 Compliance

A Compliance Department, staffed with three personnel, was established by the Company on 25 April 2016. Its main responsibilities include providing regulatory and compliance advice to the Company and its business units on an ongoing basis, assisting management in the development of policies, procedures and guidelines to facilitate compliance with applicable laws and regulations, proactively reviewing business activities to identify potential regulatory, compliance and reputational risks and designing ways to minimize such risks and promoting a culture of compliance in the Company.

During the financial year, the Compliance Department had carried out the following activities, among others:

(i) Prepared the Compliance Quarterly Report for tabling to the Board, covering matters relating to compliance assessments, compliance training, non-compliances, regulatory issues and fraud cases noted, and other compliance activities carried out by Compliance Department during the quarter.

(ii) Prepared the Compliance Plan for approval of the Board.

(iii) Issued five Compliance Assessment Reports to management, covering the status of the Company's compliance with BNM's Guidelines to Control Operating Costs of General Insurance Business [BNM/RH/GL 003-7]; BNM's Guidelines on Claims Settlement Practices (Consolidated) [BNM/RH/GL/003-9]; the Company's Sponsorships and Donations Policy; and BNM's policy document on Fair Treatment of Financial Consumers [BNM/RH/PD 028-103].

(iv) Issued three Compliance Risk Assessment Reports to management, covering compliance risks pertaining to BNM's Guidelines on Claims Settlement Practices (Consolidated) [BNM/RH/GL/003-9]; the Company's Sponsorships and Donations Policy; and BNM's policy document on Fair Treatment of Financial Consumers [BNM/RH/PD 028-103].

(v) Obtained quarterly self-assessment declaration from Heads of Department as part of effort to instil greater staff awareness on, and compliance with anti-money laundering and personal data protection regulations.

(vi) Summarised policy documents and exposure drafts issued by BNM and circulars issued by PIAM for information of the Board, and performing gap analysis, where necessary, to assess extent of the Company's compliance and the actions and timeline required to close the gaps.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

5.6 Compliance (Cont'd.)

During the financial year, the Compliance Department had carried out the following activities, among others: (Cont'd.)

(vii) Participated as a member of the Group Anti-Corruption Committee to implement the Group's Anti-Corruption Programme.

(viii) Revised and updated the Anti-Money Laundering, Countering Financing of Terrorism & Targeted Financial Sanctions Policy, Data Management Policy, Fit & Proper Criteria Policy, Compliance Regulatory Framework and Compliance Terms of Reference for Board approval and adoption.

(ix) Assumed the role of Anti-Money Laundering and Counter-Financing of Terrorism Compliance Officer.

INTEGRITY IN CORPORATE REPORTING

6. ACCOUNTABILITY AND AUDIT

6.1 Directors' Responsibility Statement

The Directors are required by the Companies Act, 2016 to prepare financial statements for each year which have been made out in accordance with the MFRS and give a true and fair view of the financial position of the Company as at 30 September 2022, and of its financial performance and its cash flows for the year.

The Directors have the responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy their financial position, financial performance and cash flows, which enable them to ensure that the financial statements comply with the MFRS, International Financial Reporting Standards, requirements of the Companies Act, 2016, the Financial Services Act 2013, and policy documents and circulars issued by BNM.

The Directors have the overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

6. ACCOUNTABILITY AND AUDIT (CONT'D.)

6.2 Management Accountability

The Company has in place a documented and updated organisation structure with clear reporting lines and job description for management and executive employees. In allocating job duties and responsibilities to staff, the Company takes into consideration appropriate segregation of duties and that potentially conflicting responsibilities are not assigned to the same employee. In addition, there are also well documented policies and procedures in the operating manuals for all major functions within the Company.

6.3 Corporate Independence

At least two Directors, with at least one Director each nominated by the respective shareholders, shall constitute a quorum at Board meetings of the Company. The presence of representatives from the two shareholders of almost equivalent shareholdings ensures that some degree of corporate independence is maintained. Moreover, certain matters have been reserved for shareholders' approval. These include financial strategies, change in nature of business, as well as any change in authorised or issued share capital of the Company.

6.4 Scope and Performance of the Risk Management and Internal Control System

To assist the Board in its risk management and internal control responsibilities, the Board also receives periodic reports from the CEO on the scope and performance of the risk management and internal control system. The periodic reports from the CEO are prepared based on an assessment process derived from a system of direct and indirect assessment of the risk management and internal control system implemented. For the current year under review, the CEO has intimated that the Company's risk management and internal control system was adequate and generally effective in addressing the identified risks of the Company. Although minor lapses were noted, these did not have a significant impact on the Company.

Such reporting is intended to aid the Board in discharging its responsibilities for the risk management and internal control system of the Company and serves to provide additional comfort in addition to the Internal and External Auditors' and regulatory examiner's reports received regularly.

6.5 Promoting Sustainability and Diversity

The Company has adopted a Group Sustainability Policy, which serves to facilitate achievement of the Company's goal to conduct business responsibly through the integration of Economic, Environmental and Social considerations in its business processes. The Board of Directors is ultimately responsible for management, direction and performance of sustainability efforts within the Company.

INTEGRITY IN CORPORATE REPORTING (CONT'D.)

6. ACCOUNTABILITY AND AUDIT (CONT'D.)

6.5 Promoting Sustainability and Diversity (Cont'd.)

The Company is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. The Board strongly believes that sustainable development means combining long-term economic value creation with a holistic approach to economic growth, environmental stewardship and social responsibility.

Economic growth is one of the primary factors that contributes to the business sustainability of the Company. It is therefore crucial that the Company continues to be prepared and resilient against potential disruptions to its business strategies or operations. The Company is committed to achieve sustainable economic growth to enhance shareholder returns and deliver fair reward to employees. The Company has identified opportunities relevant to the long term success of the Company. At the same time, various efforts are continuously being made to improve efficiency and profitability. From the COVID-19 pandemic experience, the Company has gained deeper appreciation of the importance of digitalisation for both the Company and its customers. As a consequence, the Company has been leveraging on its strong digital capabilities to expand customer reach. This has proven fruitful as customers are able to continue to renew their insurance online through POI2u and digital agents from the safety of their homes during the pandemic. Apart from its direct to customer online platform, the Company has rolled-out online road tax renewal service and launched cost-saving insurance products, such as PrOmilej insurance specifically for low mileage drivers to help them pay less than normal comprehensive private car insurance covers, and PrOrumah insurance, which is a combination of both Houseowner and Householder policies but at 30% cheaper.

The Company is committed to playing its part in the effort to reduce activities harmful to the environment by adopting a responsible approach in terms of resource use. Some of the initiatives undertaken by the Company included raising internal awareness on the 3Rs of the environment, i.e. reduce, reuse and recycle, through effective use of resources and materials to minimise waste. The Company further minimises environmental impact in its dealings with stakeholders through digital transformation by promoting the use of cashless payment and e-renewal services.

With regard to social responsibility, the Company ensures that employees' wellbeing, development and work-life are taken care of to build a healthy work environment. During the COVID-19 pandemic, the Company has continued to sponsor its employees with continuous training and development to keep them up to date with changes in the insurance industry. By supporting education and training, the Company hopes to promote staff retention and to build a workforce capable of meeting the challenges of an increasingly complex business environment.

INTEGRITY IN CORPORATE REPORTING (CONT'D.)

6. ACCOUNTABILITY AND AUDIT (CONT'D.)

6.5 Promoting Sustainability and Diversity (Cont'd.)

Further, as a precautionary measure amid the COVID-19 pandemic, the Company has leveraged on digitalisation and video communication platform, providing lunches to employees who worked in office to reduce employee movement, and making available hand sanitisers and COVID-19 self-test kits for use in office. The Company has continued to do so despite the transition to endemic phase.

As a service provider, client satisfaction and confidentiality are of utmost importance to ensure the continued success of the Company. The Company maintains a number of different channels for customers to provide feedback, namely, website, social media platforms and call centre. In addition, the Company maintains a dedicated customer complaints department as mandated by BNM. Interaction with customers generally remained satisfactory as there were no reports of complaints concerning privacy issues directly or via regulatory bodies during the year.

The Company is aware of its place in society and has sought to contribute generally through charitable donations and contribution towards insurance, road safety and crime prevention awareness campaigns. The Company's other continuing commitments included reducing the cost of insurance for disabled drivers and motorcyclists by waiving loading on motor policies sold to them.

Further, the Company takes into consideration ESG in its investment strategy. To underline the Company's commitment to ESG as well as the sustainable practices, the Company will ensure that a portion of its investment portfolio is in ESG-rated or compliant financial assets.

The same applies for appointments to Senior Management and the Company's workforce. The Company recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity, age, experiences and perspectives of our workforce to provide good customer service to an equally diverse customer base. The Company's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills enhancement, appointment to roles, retention of employees, succession planning and training and development.

HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard POB, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding and ultimate holding company.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of the significant events during and subsequent to the end of the financial year are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 November 2022.

DATO' DR. ZAHA RINA BINTI ZAHARI	CHAN THYE SENG

Kuala Lumpur

Registration No. 197201000959 (12557-W)

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, DATO' DR. ZAHA RINA BINTI ZAHARI and CHAN THYE SENG, being two of the Directors of PACIFIC & ORIENT INSURANCE CO. BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 60 to 174, are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 30 September 2022 and of the results and cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 November 2022.

DATO' DR. ZAHA RINA BINTI ZAHARI

CHAN THYE SENG

STATUTORY DECLARATION

I, NOOR MUZIR BIN MOHAMED KASSIM, being the Officer primarily responsible for the financial management of PACIFIC & ORIENT INSURANCE CO. BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 60 to 174 are, to the best of my knowledge and belief, 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 NOOR MUZIR BIN)
MOHAMED KASSIM at Kuala Lumpur in)
Wilayah Persekutuan on 24 November 2022) NOOR MUZIR BIN MOHAMED KASSIM

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W 504
ABD HALIM BIN OSMAN
01/01/2022-28/02/2023
MALAYSIA

Lot 1.14, Tingkat Bawah,
Bangunan Medan Mara,
50350 Jalan Raja Laut,
Kuala Lumpur.

EY
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Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

Registration No. 197201000959 (12557-W)

Independent auditors' report to the members of Pacific & Orient Insurance Co. Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pacific & Orient Insurance Co. Berhad ("the Company"), which comprise the statement of financial position as at 30 September 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 174.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 September 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 audit opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report (including the statement of corporate governance), but does not include the financial statements of the Company and our auditors' report thereon.

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

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Registration No. 197201000959 (12557-W)

Independent auditors' report to the members of Pacific & Orient Insurance Co. Berhad (Cont'd.) (Incorporated in Malaysia)

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Registration No. 197201000959 (12557-W)

**Independent auditors' report to the members of
Pacific & Orient Insurance Co. 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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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Registration No. 197201000959 (12557-W)

Independent auditors' report to the members of Pacific & Orient Insurance Co. Berhad (Cont'd.) (Incorporated in Malaysia)

Other matters

This report is made solely to the members 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

Brandon Bruce Sta Maria
No. 02937/09/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 November 2022

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Property, plant and equipment	5	18,186	18,980
Investment properties	6	640	650
Intangible assets	7	855	1,129
Right-of-use assets	8	4,385	4,875
Investments	9	491,798	576,297
Reinsurance assets	10	208,218	193,946
Insurance receivables	11	13,834	23,453
Other receivables	12	47,049	50,251
Cash and cash equivalents	13	27,904	21,265
TOTAL ASSETS		812,869	890,846
EQUITY AND LIABILITIES			
Insurance contract liabilities	17	550,146	543,686
Deferred tax liabilities	18	4,628	9,488
Lease liabilities	8	3,676	4,386
Borrowings	19	-	69,790
Insurance payables	20	16,336	23,788
Tax payable		678	224
Other payables	21	6,137	9,783
TOTAL LIABILITIES		581,601	661,145
Share capital	14	100,000	100,000
Revaluation reserve		14,332	13,972
Share options reserve	15	910	867
Fair value through other comprehensive income ("FVOCI") reserve		3,709	21,148
Retained profits	16	112,317	93,714
TOTAL EQUITY		231,268	229,701
TOTAL EQUITY AND LIABILITIES		812,869	890,846

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

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

		← Non-Distributable			→	Distributable	
	Note	Share capital	Revaluation reserve	Share reserve	FVOCI reserve	Retained profits	Total
2022		RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
At 1 October		100,000	13,972	867	21,148	93,714	229,701
Net profit for the year		-	-	-	-	2,301	2,301
Other comprehensive income for the year, net of tax		-	360	-	807	-	1,167
Total comprehensive income for the year		-	360	-	807	2,301	3,468
Transfer of FVOCI reserve to retained profits upon disposal of financial assets at FVOCI		-	-	-	(18,246)	18,246	-
Dividends	33	-	-	-	-	(2,000)	(2,000)
Share options vested under ESOS	15	-	-	99	-	-	99
Share options forfeited under ESOS	15	-	-	(56)	-	56	-
At 30 September		100,000	14,332	910	3,709	112,317	231,268

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONT'D.)

		Non-Distributable				Distributable	
	Note	Share capital	Revaluation reserve	Share reserve	FVOCI reserve	Retained profits	Total
2021		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October		100,000	13,763	771	6,301	91,173	212,008
Net profit for the year		-	-	-	-	9,946	9,946
Other comprehensive income for the year, net of tax		-	209	-	14,910	-	15,119
Total comprehensive income for the year		-	209	-	14,910	9,946	25,065
Transfer of FVOCI reserve to retained profits upon disposal of financial assets at FVOCI		-	-	-	(63)	63	-
Dividends	33	-	-	-	-	(7,500)	(7,500)
Share options vested under ESOS	15	-	-	128	-	-	128
Share options forfeited under ESOS	15	-	-	(32)	-	32	-
At 30 September		100,000	13,972	867	21,148	93,714	229,701

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

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 RM'000	2021 RM'000
Revenue	22	299,799	257,659
Gross earned premiums		284,226	242,733
Premiums ceded to reinsurers		(123,828)	(107,173)
Net earned premiums	23	160,398	135,560
Investment income	24	15,573	14,926
Fair value (losses)/gains	25	(3,663)	3,994
Other operating income, net	26	372	16
Commission income		28,671	30,621
Other revenue		40,953	49,557
Gross claims paid		(144,392)	(107,711)
Claims ceded to reinsurers		43,533	33,219
Gross change in insurance contract liabilities		(6,710)	(11,425)
Change in insurance contract liabilities ceded to reinsurers		9,454	17,291
Net claims incurred	27	(98,115)	(68,626)
Commission expense		(28,747)	(28,350)
Realised gains/(losses), net	28	34	(1,360)
Management expenses	29	(66,890)	(65,787)
Finance costs	34	(4,364)	(5,969)
Other expenses		(99,967)	(101,466)
Profit before taxation		3,269	15,025
Taxation	31	(968)	(5,079)
Net profit for the year		2,301	9,946
Basic and diluted earnings per share (sen)	32	2.30	9.95

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

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

	2022 RM'000	2021 RM'000
Net profit for the year	2,301	9,946
Other comprehensive (loss)/income:		
Items that may be reclassified to income statement in subsequent years:		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Corporate debt securities		
• Loss on fair value changes	(499)	(923)
• Deferred tax	120	222
	(379)	(701)
Items that will not be reclassified to income statement in subsequent periods:		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Quoted securities		
• Gain on fair value changes	1,540	20,522
• Deferred tax	3,959	(4,911)
• Tax expense on disposal of FVOCI financial assets	(4,313)	-
	1,186	15,611
Surplus from revaluation of land and buildings		
• Gross surplus from revaluation	473	275
• Deferred tax	(113)	(66)
	360	209
Other comprehensive income for the year, net of tax	1,167	15,119
Total comprehensive income for the year	3,468	25,065

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

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,269	15,025
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation:			
- property, plant and equipment	5	1,264	1,261
- right-of-use assets	8	2,659	3,344
Amortisation of intangible assets	7	357	456
Transaction costs of borrowings	34	210	266
Losses on disposal of property, plant and equipment	28	25	10
Revaluation deficit of investment properties	25	10	5
(Gains)/Losses on disposal of investments	28	(56)	1,351
Losses/(Gains) on fair value of investments held at fair value through profit or loss	25	3,653	(3,999)
Allowance for unutilised leave	29	(490)	211
Dividend income	24	(3,795)	(8,538)
Interest income	24	(7,521)	(5,394)
Profit from Islamic fixed deposits	24	(372)	(439)
Distribution income	24	(4,711)	-
Allowance for/(Write back of allowance for) impairment of:			
- insurance receivables	29	33	(210)
- corporate debt securities	26	(52)	19
Interest expense on borrowing	34	3,920	5,320
Interest on lease liabilities	8	231	380
ESOS	29	99	128
Operating (loss)/profit before working capital changes		(1,267)	9,196
Working capital adjustments:			
Purchase of investments		(47,016)	(35,876)
Disposal of investments		163,628	31,917
Increase in deposits and placements with financial institutions		(34,617)	(12,793)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONT'D.)

	Note	2022 RM'000	2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)			
Working capital adjustments: (Cont'd.)			
Decrease/(Increase) in insurance receivables		9,586	(5,588)
Decrease in other receivables		3,753	5,621
Increase in reinsurance assets		(14,272)	(21,306)
Increase in insurance contract liabilities		6,460	19,350
(Decrease)/Increase in insurance payables		(7,452)	11,878
(Decrease)/Increase in other payables		(1,681)	3,135
Cash flows generated from operations		77,122	5,534
Taxation paid		(5,721)	(4,459)
Interest paid		(5,305)	(5,305)
Distribution income received		4,711	-
Dividends received		3,887	8,718
Interest received		6,808	6,087
Profit received from Islamic fixed deposits		352	455
Net cash flows generated from operating activities		81,854	11,030
INVESTING ACTIVITIES			
Net proceeds on disposal of property, plant and equipment		35	21
Purchase of property, plant and equipment		(57)	(30)
Acquisition of right-of-use ("ROU") assets		(150)	-
Purchase of intangible assets		(83)	(280)
Net cash flows used in investing activities		(255)	(289)
FINANCING ACTIVITIES			
Dividends paid	33	(2,000)	(7,500)
Repayment of lease liabilities	8	(2,960)	(3,713)
Repayment of borrowings		(70,000)	-
Net cash flows used in financing activities		(74,960)	(11,213)
Net increase/(decrease) in cash and cash equivalents		6,639	(472)
Cash and cash equivalents at beginning of year		21,265	21,737
Cash and cash equivalents at end of year	13	27,904	21,265

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONT'D.)

Reconciliation of liabilities arising from financing activities

The following table illustrates the changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes during the financial year:

	Lease liabilities (Note 8)	Borrowings (Note 19)	Total
	RM'000	RM'000	RM'000
2022			
At 1 October	4,386	69,790	74,176
Changes in financing cash flows:			
Repayment of borrowings	-	(70,000)	(70,000)
Repayment of lease liabilities	(2,960)	-	(2,960)
Addition:			
Addition of ROU assets	1,585	-	1,585
Accretion of interest	231	-	231
Remeasurements	434	-	434
Transaction costs	-	210	210
	2,250	210	2,460
At 30 September	3,676	-	3,676
2021			
At 1 October	7,595	69,524	77,119
Changes in financing cash flows:			
Repayment of lease liabilities	(3,713)	-	(3,713)
Addition:			
Addition of ROU assets	210	-	210
Accretion of interest	380	-	380
Remeasurements	(86)	-	(86)
Transaction costs	-	266	266
	504	266	770
At 30 September	4,386	69,790	74,176

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2022

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business.

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

The Company is a public company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The holding and ultimate holding company is Pacific & Orient Berhad ("POB"), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements of the Company were authorised for issue on 24 November 2022 pursuant to a resolution by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) 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"), the requirements of the Companies Act, 2016 in Malaysia, Financial Services Act 2013 and Guidelines/Circulars issued by BNM.

At the beginning of the current financial year, the Company had fully adopted the amendments to MFRSs as described fully in Note 3.

The financial statements of the Company have been prepared under the historical cost basis, unless disclosed otherwise in the significant accounting policies.

Financial assets and financial liabilities are offset and the net amount 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 assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(a) Basis of Preparation (Cont'd.)

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

(b) Fair Value Measurement

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 assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

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

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.

The 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 for which different 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 into one of the three different levels of 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 (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Fair Value Measurement (Cont'd.)

The Company analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs in the latest valuation by agreeing the information to the relevant valuation reports and other related documents.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and buildings and leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings and leasehold buildings are stated at revalued amounts, which are the fair values at the date of the revaluation less subsequent accumulated depreciation (except for freehold land which has an unlimited useful life and therefore is not depreciated) and any subsequent accumulated impairment losses. The Board determines the policies and procedures for both recurring and non-recurring fair value measurement. External valuers are involved for valuation of such assets. Involvement of external valuers is decided by the Board and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies inputs applied in the latest valuation and verified by agreeing the information in the valuation computation to contracts and other relevant documents which also includes comparison with other relevant external sources to determine if any change is reasonable. Full revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially different from their market values.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in income statement, in which case the increase is recognised in income statement to the extent of the decrease previously recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Property, Plant and Equipment and Depreciation (Cont'd.)

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same property and the balance is thereafter recognised in income statement. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount of the property. Upon disposal or retirement of a property, any revaluation reserve relating to the particular property is transferred directly to retained profits.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

The principal annual rates of depreciation are:

Buildings	2%
Computer equipment	10%
Motor vehicles	20%
Office equipment	10%
Furniture, fixtures and fittings	10%

The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g)(2).

The residual values, useful lives and depreciation methods 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 property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. The Board determines the policies and procedures for recurring and non-recurring fair value measurement. External valuers are involved for valuation of investment properties. Involvement of external valuers is decided by the Board and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(d) Investment Properties (Cont'd.)

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies inputs applied in the latest valuation and verified by agreeing the information in the valuation computation to contracts and other relevant documents which also includes comparison with other relevant external sources to determine if any change is reasonable. Full revaluations are performed once in every three years or earlier if the carrying values of the revalued properties are materially different from their market values.

Gains or losses arising from changes in the fair values of investment properties are recognised in income statement in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

(e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. 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 and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Intangible Assets (Cont'd.)

The acquired computer software and licences are amortised using the straight line method over their estimated useful lives not exceeding 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(f) Financial Instruments

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are categorised and measured using accounting policies as mentioned below:

(1) Financial assets

Initial recognition and initial measurement

Financial assets of the Company are classified in the following measurement categories - Amortised Cost, Fair Value Through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of insurance receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers.*

In order for a financial asset to be classified and measured at amortised cost or fair value, 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 they manages their 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial Instruments (Cont'd.)

Financial instruments are categorised and measured using accounting policies as mentioned below: (Cont'd.)

(1) Financial assets (Cont'd.)

Subsequent measurement

(i) Financial assets at Amortised Cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

(ii) Financial assets at Fair Value Through Other Comprehensive Income ("FVOCI") (debt instruments)

The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in the FVOCI reserve.

Upon derecognition, the cumulative fair value change recognised in the FVOCI reserve is recycled to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial Instruments (Cont'd.)

Financial instruments are categorised and measured using accounting policies as mentioned below: (Cont'd.)

(1) Financial assets (Cont'd.)

Subsequent measurement (Cont'd.)

(iii) Financial assets at FVOCI (equity instruments)

The Company may elect to designate an equity instrument as FVOCI. Such designation is determined on an instrument by instrument basis. It is also the Company's policy to elect to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns.

When such election is used, fair value gains or losses are recognised in the FVOCI reserve and are not subsequently recycled to the income statement including upon derecognition.

Dividends from financial assets at FVOCI are recognised in the income statement 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 FVOCI reserve.

Upon derecognition of an equity instrument designated as FVOCI, the cumulative gain or loss previously recognised in the FVOCI reserve is transferred to retained profits.

(iv) Financial assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets at FVTPL may comprise equity instruments as well as debt instruments.

These assets include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Company may, upon initial recognition, irrevocably designate a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial Instruments (Cont'd.)

Financial instruments are categorised and measured using accounting policies as mentioned below: (Cont'd.)

(1) Financial assets (Cont'd.)

Subsequent measurement (Cont'd.)

(iv) Financial assets at Fair Value Through Profit or Loss ("FVTPL") (Cont'd.)

Changes in fair value of financial assets at FVTPL, dividend income and interest income are recognised in the income statement.

Gains or losses of financial assets at FVTPL are recognised in the income statement upon their derecognition.

Reclassification of Financial Assets

Reclassification of financial assets is required when, and only when, the Company changes its business model for managing the assets. In such cases, the Company is required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as at FVOCI even when there is a change in business model. Such designations are irrevocable.

Regular way purchase or Sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

All the financial assets of the Company are recognised using trade date, the date that the Company commits to purchase or sell the asset except for debt instruments which are recognised using settlement date, the date the Company receives or delivers the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial Instruments (Cont'd.)

Financial instruments are categorised and measured using accounting policies as mentioned below: (Cont'd.)

(1) Financial assets (Cont'd.)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

(2) Financial liabilities

Financial liabilities are classified as either (i) financial liabilities at FVTPL or (ii) other financial liabilities.

(i) Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition 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 on derivatives recognised in the income statement. Net gains or losses on derivatives include exchange differences.

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

(ii) Other financial liabilities

The Company's other financial liabilities comprise insurance payables, other payables, lease liabilities and borrowings.

Insurance payables, other payables and borrowings are recognised initially at their respective fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial Instruments (Cont'd.)

Financial instruments are categorised and measured using accounting policies as mentioned below: (Cont'd.)

(2) Financial liabilities (Cont'd.)

(iii) Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(g) Impairment

(1) Financial assets

The Company recognises allowance for impairment for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVOCI.

Overview of ECL

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 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).

Both 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Impairment (Cont'd.)

(1) Financial assets (Cont'd.)

Financial assets other than insurance receivables and debts instruments at FVOCI

The Company has adopted a simplified approach when measuring the ECL for its financial assets other than insurance receivables and debt instruments at FVOCI.

Calculation of ECL - simplified approach

For debt instruments, trade and other receivables measured at amortised cost, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking information specific to the debtors and the economic environment. Forward-looking information may include the consumer price index, base lending rate, unemployment rate, consumption growth rate and the stock exchange index.

For individual impairment assessment, the amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive.

Insurance Receivables and Debt Instruments at FVOCI

For insurance receivables and debt instruments at FVOCI, the general approach is used where the ECL are assessed using an approach which classifies the financial assets into 3 stages which reflects the change in credit quality of the financial assets since initial recognition:

- Stage 1: 12-month ECL - not credit impaired

  For financial assets which have not had a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Impairment (Cont'd.)

(1) Financial assets (Cont'd.)

Insurance Receivables and Debt Instruments at FVOCI (Cont'd.)

- Stage 2: Lifetime ECL - not credit impaired

  For financial assets which have had a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

- Stage 3: Lifetime ECL - credit impaired

  For financial assets that are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

Significant increase in credit risk

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures of its insurance receivables and debt instruments since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL.

This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Company considers both quantitative and qualitative information and assessments based on the Company's historical experience and credit risk assessments, including forward-looking information.

Measurement of ECL - General Approach - Insurance Receivables

The Company uses a Loss Provision Ratio ("LPR") in the determination of the ECL of its insurance receivables. LPR is a ratio computed to estimate the percentage of outstanding insurance receivables that requires provisioning. In essence, LPR acts as a proxy for loss rate where the ratio is applied to the total outstanding insurance receivables in order to obtain the ECL.

The LPR is derived from internally developed statistical models and adjusted to reflect forward-looking information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Impairment (Cont'd.)

(1) Financial assets (Cont'd.)

Measurement of ECL - General Approach - Insurance Receivables (Cont'd.)

The components for computing the LPR include:

(i) Amount of outstanding insurance receivables as at reporting date for Stage 1 and 2;

(ii) Present value of insurance receivables received or settled during the period under review using the effective interest rate;

(iii) Forward looking macro-economic information which may comprise economic indicators and industry statistics such as the consumer price index, base lending rate, unemployment rate, consumption growth rate, and the stock exchange composite index; and

(iv) Full allowance for impairment is recognised for insurance receivables that have been classified as Stage 3.

Measurement of ECL - General Approach - Debt Instruments

The company uses the Probability of Default ("PD") approach with the use of a proxy model. The ECL components are derived from internally developed statistical model and are adjusted to reflect forward-looking information.

The components for computing the ECL include:

(i) Present value of the exposure at default over 12 months or lifetime of the asset depending on its staging using the effective interest rate,

(ii) Probability of the debt instrument defaulting,

(iii) Loss percentage in event of default, and

(iv) Forward-looking macro-economic information which may comprise economic indicators and industry statistics such as the consumer price index, base lending rate, unemployment rate, consumption growth rate, and the stock exchange composite index.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Impairment (Cont'd.)

(1) Financial assets (Cont'd.)

Write off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in income statement.

Definition of default and credit-impaired financial assets

At each reporting period, the Company assesses whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. The general presumption under MFRS 9 *Financial Instruments* is that a financial asset is in default when contractual payments are more than 90 days past due. However, in certain cases, the Company may rebut such presumption where there are reasonable and supportable information available to demonstrate that forward-looking rather than past due information is more appropriate to assess the changes in credit risk.

The 90 days presumption has been rebutted for reinsurance and broker insurance receivables due to the longer time required for settlement. The default criteria has been defined as 12 months for these insurance receivables.

In general, indicators that a financial asset is credit-impaired include the following observable data:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Impairment (Cont'd.)

(2) Non-financial assets

The carrying amounts of non-financial assets, other than investment properties and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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 recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and at banks, and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The statement of cash flow is prepared using the indirect method.

(i) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(j) Borrowings

Borrowings (including subordinated notes) are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. Any difference between the initial recognised amount and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

(k) Product Classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration given. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

Insurance receivables are assessed at each reporting date for objective evidence of impairment. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2(g)(i).

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(n) Commission Expenses and Commission Income

Gross commission expenses, which are cost directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are recognised in the income statement in the period in which they are incurred.

(o) Share Capital

Ordinary shares are recorded at nominal value and are classified as equity. Dividends on ordinary shares are recognised in equity in the periods in which they are declared.

Costs incurred which are directly attributable to the issuance of shares are accounted for as deduction from equity.

(p) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, unearned premiums, claims incurred and commissions.

(1) Premium income

Premium is recognised in a financial year in respect of risks assumed during that particular financial year. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(p) General Insurance Underwriting Results (Cont'd.)

(2) Insurance contract liabilities

Insurance contract liabilities comprise premium liabilities and claims liabilities.

Premium liabilities

Premium liabilities represent the future obligations on insurance contracts, as represented by premiums received for unexpired risks.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall level of the Company.

- UPR

  UPR represents the portion of premium income not yet earned at reporting date. UPR is computed on the following bases:

  - 25% method for marine cargo, aviation cargo and transit;

  - 1/24th method for fire, engineering and marine hull with a deduction of 15%, bonds and motor with a deduction of 10%, medical with a deduction of 10% - 15% and all other classes of business with a deduction of 25% or actual commission incurred, whichever is lower;

  - 1/8th method for overseas inward treaty business with a deduction of 20% for acquisition costs; and

  - Non-annual policies with a duration of cover extending beyond one year is time apportioned over the period of the risks.

- URR

  URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(p) General Insurance Underwriting Results (Cont'd.)

(2) Insurance contract liabilities (Cont'd.)

Claims liabilities

Claims liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value of claims liabilities are based on the best estimate which include provision for claims reported, claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as a PRAD calculated at 75% confidence level at the overall level of the Company. The claims liabilities are calculated based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(q) Liability Adequacy Test

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Company compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in the income statement.

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

(r) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(s) Other Income Recognition

Other revenue is recognised when control of the goods or services or performance obligations 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. The following specific criteria must be met before revenue is recognised:

(1) Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid;

(2) Interest income from money market instruments and deposits and placements with financial institutions are recognised using the effective interest method;

(3) Dividend income is recognised when the right to receive payment is established; and

(4) Income from corporate bond is recognised using the effective interest method.

(t) Foreign Currencies

(1) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(2) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated using the exchange rates prevailing at the dates of transactions. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the income statement for the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(u) Income Tax

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the year and is measured using the tax rate as enacted at the reporting date.

Deferred tax is provided for, using the liability method. 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, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, unabsorbed capital allowances and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the income statement as income or expense, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(v) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if 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 a 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 assets representing the right to use the underlying assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Leases (Cont'd.)

The Company as a lessee (Cont'd.)

(1) Right-of-use ("ROU") 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 an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, and the lease payments made at or before the commencement date less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	70 years
Buildings	2 - 5 years
Computer equipment	3 years
Office equipment	3 - 5 years
Motor vehicles	5 years

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 policy for the recognition and measurement of impairment losses of ROU assets is in accordance with Note 2(g)(ii).

(2) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Leases (Cont'd.)

The Company as a lessee (Cont'd.)

(2) Lease liabilities (Cont'd.)

In calculating the present value of lease payments, the lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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.

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

The Company applies the short-term lease recognition exemption to its short-term leases of computer and office 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). The Company also applies the lease of low-value assets recognition exemption to leases of computer and office equipment that are considered to be low value. 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.

The Company as a lessor

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. Rental income arising from an operating lease is accounted for on a straight-line basis over the lease terms and is included in investment income in the income statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(w) Employee Benefits

(1) 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. Allowance for unutilised leave such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences.

Allowance for unutilised leave such as sick leave are recognised when the absences occur.

(2) Defined contribution plans

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(3) Employee Share Option Scheme ("ESOS")

ESOS is an equity-settled, share-based compensation plan for eligible employees of the Company whereby the Company receives services from eligible employees in consideration for equity instruments (options) of the holding company, POB. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement of the Company over the vesting periods of the grant with a corresponding increase to share options reserve within equity.

At each reporting date, the Company revises the estimates of the number of share options that are expected to vest based on historical experience and statistical analysis. The Company recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share options reserve in equity.

(x) Contingent Liabilities and Contingent Assets

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs

(a) Changes in Accounting Policies

The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2021 except for the adoption of the following Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory for annual periods beginning on or after 1 January 2021 and 1 April 2021.

Effective for financial periods beginning on or after 1 January 2021

Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Leases - Covid-19 Related Rent Concessions Beyond 30 June 2021

The adoption of the above Amendments to MFRSs did not have any significant impact on the financial statements of the Company.

(b) MFRS and Amendments to MFRSs yet to be effective

The Company has not adopted the following MFRS and Amendments to MFRSs which have been issued but are not yet effective. The Company intends to adopt these new pronouncements, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
Amendments to MFRS 16	Leases (Annual Improvements to MFRS Standards 2018 - 2020)
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs (CONT'D.)

(b) MFRS and Amendments to MFRSs yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2022 (Cont'd.)

Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback

Effective date to be announced by Malaysian Accounting Standards Board

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs (CONT'D.)

(b) MFRS and Amendments to MFRSs yet to be effective (Cont'd.)

The adoption of the above MFRS and Amendments to MFRSs is not expected to result in significant financial impact to the Company, except as disclosed below:

- MFRS 17 *Insurance Contracts* and Amendments to MFRS 17

MASB has issued MFRS 17 *Insurance Contracts* ("MFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 *Insurance Contracts* ("MFRS 4") upon adoption. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A simplified approach (the premium allocation approach) mainly for short-duration contracts; and

- A specific adaptation for contracts with direct participation features (the variable fee approach).

MFRS 17 and Amendments to MFRS 17 are effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date when it first applies MFRS 17.

The Company intends to adopt MFRS 17 on the required effective date. The Company has completed the documentation of business and technical requirements in the technical papers, and is currently in the process of designing and implementing system solutions and processes.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgement Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

- Classification between Investment Properties and Property, Plant and Equipment

  The Company has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

  Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately.

  If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

- Fair value measurements

  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 reporting period.

  The Board determines the policies and procedures for recurring fair value measurement. External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the Board and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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:

(1) Depreciation and amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(2) ESOS

Estimating fair value for ESOS requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them.

Judgement is also required in estimating the number of share options expected to vest as it involves a high degree of subjectivity.

(3) Impairment of non-financial assets

Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant under performance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs and future market conditions. Changes in circumstances may lead to revision in estimates and assumptions. This may result in changes to the recoverable amounts of assets and impairment losses.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(4) Impairment of Financial Assets

Measurement of ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, gross domestic product, unemployment rates, house price index, wholesale and retail index, passenger car sales, and lending rates. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

(iii) Establishing the number and relative weightings of forward-looking scenarios for each type of financial and insurance assets, and the associated ECL; and

(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

(5) Uncertainty in accounting estimates in the general insurance business

The principal uncertainty in the general insurance business arises from technical provisions for premium and claims liabilities.

Premium liabilities comprise the higher of UPR or URR while claims liabilities comprise outstanding claims case estimates and Incurred But Not Reported ("IBNR") claims.

UPR is determined based on estimates of the portion of premium income not yet earned at each reporting date whilst URR is determined based on estimates of expected future payments arising from future events insured under policies in force at each reporting date, including expected future premium refunds.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(5) Uncertainty in accounting estimates in the general insurance business (Cont'd.)

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretation, legislative changes, and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claims liabilities may vary from the initial estimates.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties.

(6) Deferred tax assets

Deferred tax assets are recognised for all taxable temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(7) Fair value measurement of financial instruments

When the fair values of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using relevant reports and related documents. A degree of judgement is required in establishing their fair values which include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(8) Leases

The measurement of leases requires management to make certain judgements and estimations. This includes establishing whether or not it is reasonably certain that an extension option will be exercised or a termination option will not be exercised and calculating the appropriate discount rate to use.

5. PROPERTY, PLANT AND EQUIPMENT

		Valuation			Cost				
		Freehold land	Buildings Freehold	Buildings Leasehold	Computer equipment	Motor vehicles	Office equipment	Furniture, fixtures and fittings	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Valuation/Cost:									
At 1 October 2021		2,670	851	14,730	5,788	1,106	1,673	3,785	30,603
Additions		-	-	-	-	-	48	9	57
Disposals		-	-	-	-	(200)	(140)	(31)	(371)
Write-offs		-	-	-	(6)	-	(56)	(16)	(78)
Revaluation surplus		60	33	380	-	-	-	-	473
Elimination of accumulated depreciation on revaluation		-	(34)	(1,070)	-	-	-	-	(1,104)
At 30 September 2022		2,730	850	14,040	5,782	906	1,525	3,747	29,580
Accumulated depreciation:									
At 1 October 2021		-	-	-	5,735	776	1,558	3,554	11,623
Charge for the year	29	-	34	1,070	9	45	31	75	1,264
Disposals		-	-	-	-	(151)	(129)	(31)	(311)
Write-offs		-	-	-	(6)	-	(56)	(16)	(78)
Elimination of accumulated depreciation on revaluation		-	(34)	(1,070)	-	-	-	-	(1,104)
At 30 September 2022		-	-	-	5,738	670	1,404	3,582	11,394
Net Book Value									
At 30 September 2022		2,730	850	14,040	44	236	121	165	18,186

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

		Valuation			Cost				
		Freehold land	Buildings Freehold	Buildings Leasehold	Computer equipment	Motor vehicles	Office equipment	Furniture, fixtures and fittings	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Valuation/Cost:									
At 1 October 2020		2,540	866	15,660	5,783	1,195	1,657	3,789	31,490
Additions		-	-	-	5	-	21	4	30
Disposals		-	-	-	-	(89)	(4)	-	(93)
Write-offs		-	-	-	-	-	(1)	(8)	(9)
Revaluation surplus		130	18	127	-	-	-	-	275
Elimination of accumulated depreciation on revaluation		-	(33)	(1,057)	-	-	-	-	(1,090)
At 30 September 2021		2,670	851	14,730	5,788	1,106	1,673	3,785	30,603
Accumulated depreciation:									
At 1 October 2020		-	-	-	5,726	779	1,531	3,487	11,523
Charge for the year	29	-	33	1,057	9	58	29	75	1,261
Disposals		-	-	-	-	(61)	(1)	-	(62)
Write-offs		-	-	-	-	-	(1)	(8)	(9)
Elimination of accumulated depreciation on revaluation		-	(33)	(1,057)	-	-	-	-	(1,090)
At 30 September 2021		-	-	-	5,735	776	1,558	3,554	11,623
Net Book Value									
At 30 September 2021		2,670	851	14,730	53	330	115	231	18,980

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Revaluation of Land and Buildings

(a) Freehold land and buildings and leasehold buildings were revalued as at 30 September 2022 based on valuation carried out by an independent professional valuer, Messrs. Rahim & Co. on an open market value basis using the comparison method.

The fair value of the freehold land and buildings and leasehold buildings are categorised within Level 3 of the fair value hierarchy. The significant inputs used in the valuation are provided in Note 41(e).

There are no changes to the valuation technique and fair value hierarchy in the current financial year.

(b) The net carrying values of the freehold land and buildings and leasehold buildings of the Company had the cost model been applied, compared to the revaluation model as at 30 September 2022 are as follows:

		Net Carrying Value			
		2022		2021	
	Note	Under Revaluation Model RM'000	Under Cost Model RM'000	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land		2,730	380	2,670	380
Freehold buildings		850	187	851	195
Leasehold buildings		14,040	4,020	14,730	4,280
	41(e)	17,620	4,587	18,251	4,855

6. INVESTMENT PROPERTIES

	Note	2022 RM'000	2021 RM'000
At fair value			
At 1 October		650	655
Revaluation deficit	25	(10)	(5)
At 30 September	41(e)	640	650
Analysed as:			
Freehold buildings		640	650

6. INVESTMENT PROPERTIES (CONT'D.)

Investment properties were revalued as at 30 September 2022 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The Company has assessed that the existing use of its investment properties is the most appropriate, and at its highest and best use.

The fair value of the investment properties are categorised within Level 3 of the fair value hierarchy. The significant inputs used in the valuation are provided in Note 41(e).

7. INTANGIBLE ASSETS

	Note	2022 RM'000	2021 RM'000
Computer software and licences:			
Cost			
At 1 October		5,233	4,953
Additions		83	280
At 30 September		5,316	5,233
Accumulated amortisation			
At 1 October		4,104	3,648
Amortisation	29	357	456
At 30 September		4,461	4,104
Net Book Value		855	1,129

8. LEASES

(a) The Company as a lessee

The Company has lease contracts for various items of computer, office equipment, motor vehicles and office buildings used in its operations. Leases of these assets generally have lease terms between 2 to 5 years as described in Note 2(v)(1).

The Company also has certain leases of equipment with lease terms of 12 months or less and of low value. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

(1) Right-of-use assets

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

	Note	Prepaid land lease RM'000	Office building RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office equipment RM'000	Total RM'000
At 1 October 2021		282	1,822	618	1,063	1,090	4,875
Additions		-	-	760	845	130	1,735
Depreciation charge for the year	29	(4)	(599)	(95)	(1,084)	(877)	(2,659)
Remeasurements		-	(52)	-	-	486	434
At 30 September 2022		278	1,171	1,283	824	829	4,385
At 1 October 2020		286	2,541	702	2,705	1,861	8,095
Additions		-	-	-	-	210	210
Depreciation charge for the year	29	(4)	(633)	(84)	(1,642)	(981)	(3,344)
Remeasurements		-	(86)	-	-	-	(86)
At 30 September 2021		282	1,822	618	1,063	1,090	4,875

8. LEASES (CONT'D.)

(a) The Company as a lessee (Cont'd.)

(1) Right-of-use assets (Cont'd.)

During the year, the Company acquired right-of-use assets by:

	2022 RM'000	2021 RM'000
Cash	150	-
Lease liabilities	1,585	210
	1,735	210

(2) Lease liabilities

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

	Note	2022 RM'000	2021 RM'000
At 1 October		4,386	7,595
Additions		1,585	210
Accretion of interest on lease liabilities	34	231	380
Payments		(2,960)	(3,713)
Remeasurements		434	(86)
At 30 September		3,676	4,386

Maturity profile of lease liabilities is disclosed in Note 39(b).

Extension options

The Company has several lease contracts of buildings which contain extension options exercisable by the Company. At the commencement of the lease, the Company assesses whether it is reasonably certain to exercise such options.

All of the extension options for buildings have been included in the lease liabilities because the Company is reasonably certain that the leases will be extended based on past practice and the existing economic incentive.

8. LEASES (CONT'D.)

(a) The Company as a lessee (Cont'd.)

(3) The following are the amounts recognised in the income statement:

	Note	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets	29	(2,659)	(3,344)
Interest expense on lease liabilities	34	(231)	(380)
Expenses relating to leases of low-value assets	29	(931)	(910)
Expenses relating to short term leases	29	(784)	(544)

During the year, the Company has total cash outflow for payment of leases of RM4,674,700 (2021: RM5,167,343) and non-cash additions of right-of-use assets of RM1,584,775 (2021: RM210,257).

(b) The Company as a lessor

The Company leases out its buildings under operating leases with the term of the leases ranging from 1 to 2 years. None of the leases includes contingent rentals.

Revenue from buildings under operating lease is as disclosed in Note 24.

The Company does not have any non-cancellable operating leases contracted for as at the reporting date that are not recognised as receivables.

9. INVESTMENTS

	Note	2022 RM'000	2021 RM'000
The Company's investments are summarised by categories as follows:			
(a) Financial assets at fair value through profit or loss ("FVTPL") :			
At fair value:			
Mandatorily measured:			
Quoted shares in Malaysia		14,501	21,069
Unit trusts		245,447	345,230
Warrants		5,445	3,967
	41(a)	265,393	370,266

9. INVESTMENTS (CONT'D.)

	Note	2022 RM'000	2021 RM'000
The Company's investments are summarised by categories as follows: (Cont'd.)			
(b) Financial assets at fair value through other comprehensive income ("FVOCI"):			
At fair value:			
Designated upon initial recognition:			
Quoted shares in Malaysia	9(d)	10,313	34,110
Mandatorily measured:			
Corporate debt securities		71,525	61,971
	41(a)	81,838	96,081

Disclosure on expected credit losses recognised on corporate debt securities held at FVOCI are disclosed in Note 39(a)(ii).

	Note	2022 RM'000	2021 RM'000
(c) Financial assets at amortised cost:			
Deposits and placements with licensed financial institutions: ^			
Commercial banks		127,255	87,945
Investment banks		17,312	22,005
		144,567	109,950
Total investments		491,798	576,297

Included in deposits and placements of the Company is an amount of RM112,450 (2021: RM110,442) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

^ The carrying value of the deposits and placements with licensed financial institutions approximates fair value due to the relatively short term maturities.

The range of effective interest rates per annum of deposits and placements with financial institutions at the reporting date was as follows:

	2022 %	2021 %
Licensed banks	1.70 - 3.35	1.80 - 2.50

9. INVESTMENTS (CONT'D.)

(d) Financial assets designated at FVOCI include investments in equity shares of listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at FVOCI as the Company considers these investments to be strategic in nature.

Equity instruments designated at FVOCI include investments in domestic equity shares listed on Bursa Malaysia. The pertinent information of the investments in quoted shares in Malaysia held at FVOCI categorised by sector are as follows:

	Industrial Products and Services	Financial Services	Total
	RM'000	RM'000	RM'000
Fair value			
2022			
As at 1 October	33,008	1,102	34,110
Addition during the year	3,682	-	3,682
Disposal during the year	(28,828)	(191)	(29,019)
Fair value gains during the year	1,362	178	1,540
As at 30 September	9,224	1,089	10,313
2021			
As at 1 October	12,674	1,076	13,750
Addition during the year	97	-	97
Disposal during the year	(259)	-	(259)
Fair value gains during the year	20,496	26	20,522
As at 30 September	33,008	1,102	34,110

During the year, the Company sold equity investments at FVOCI and the accumulated gain recognised in OCI has been transferred to retained profits, net of tax of RM18,246,390 (2021: RM62,143). The dividends received by the Company in respect of the shares sold was RM Nil (2021: RM Nil).

10. REINSURANCE ASSETS

	Note	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts:			
- Claims liabilities	17.1	168,131	158,677
- Premium liabilities	17.2	40,087	35,269
		208,218	193,946

11. INSURANCE RECEIVABLES

	Note	2022 RM'000	2021 RM'000
Outstanding premiums including agents', brokers' and co-insurers' balances		4,273	6,671
Due from reinsurers and ceding companies		10,429	17,617
	(a)	14,702	24,288
Allowance for impairment	39(a)	(868)	(835)
		13,834	23,453

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.

The Company's insurance receivables that have been offset against insurance payables are as follows:

(a) Offsetting insurance receivables and insurance payables

	Note	2022 RM'000	2021 RM'000
Gross amounts of recognised insurance receivables		30,613	34,861
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	20	(15,911)	(10,573)
Net amounts of insurance receivables		14,702	24,288

12. OTHER RECEIVABLES

	Note	2022 RM'000	2021 RM'000
At amortised cost:			
Due from fellow subsidiary company	(a)	705	271
Accrued income		2,354	1,713
Share of net assets held under the Malaysian Motor Insurance Pool ("MMIP")	(b)	42,171	45,941
Deposits and prepayments		1,216	1,456
Others		603	870
		47,049	50,251

The carrying amounts (other than share of net assets held under the MMIP and prepayments) above approximate fair value at the reporting date due to the relatively short-term maturity of these balances.

(a) The amount due from fellow subsidiary company is unsecured, interest free and repayable in accordance with applicable terms.

(b) As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its proportionate share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represent the Company's proportionate share of the Pool's net assets, before insurance contract liabilities. The Company's proportionate share of the Pool's insurance contract liabilities arising from its participation in the Pool is disclosed in Note 17.

13. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Deposits and placements with licensed commercial banks (with original maturity period of three months or less)	25,567	16,197
Cash and bank balances	2,337	5,068
	27,904	21,265

The range of effective interest rates per annum of bank balances, short-term deposits and placements with financial institutions at the reporting date was as follows:

	2022 %	2021 %
Licensed banks	0.00 - 2.80	0.00 - 2.05

14. SHARE CAPITAL

	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid up ordinary shares	100,000	100,000	100,000	100,000

15. SHARE OPTIONS RESERVE

The share options reserve arises from the grant of share options to employees under the POB's employees' share option scheme ("ESOS").

Under POB's ESOS, restrictive share options were granted to eligible employees of the Company to subscribe for shares of the holding company at specific prices. These options are exercisable each year over the period of 5 years from the grant date. The total value of the options recognised in relation to employee services received during the year is as follows:

	Note	2022 RM'000	2021 RM'000
At 1 October		867	771
Employees' share options expense	29	99	128
Share options forfeited transferred to retained profits		(56)	(32)
At 30 September		910	867

The movements in share options granted to employees of the Company pursuant to the ESOS during the financial year ended 30 September 2022 are as follows:

2022

			Number of Options						
Grant Date	Expiry Date	Exercise Price	Outstanding as at 1 October 2021	Options Granted	Expired	Forfeited*	Exercised	Outstanding as at 30 September 2022	Exercisable as at 30 September 2022
13 September 2019	16 June 2024	RM0.89	9,598,000	-	-	(341,000)	(508,000)	8,749,000	7,744,000
28 September 2020	16 June 2024	RM0.73	1,306,000	-	-	(311,000)	-	995,000	782,500
30 September 2021	16 June 2024	RM0.84	176,000	-	-	(150,000)	(19,000)	7,000	7,000
30 September 2022	16 June 2024	RM0.95	-	564,000	-	-	-	564,000	306,000
			11,080,000	564,000	-	(802,000)	(527,000)	10,315,000	8,839,500
Weighted average exercise price (RM)			0.87	0.95	-	0.82	0.89	0.88	0.88

15. SHARE OPTIONS RESERVE (CONT'D.)

The movements in share options granted to employees of the Company pursuant to the ESOS during the financial year ended 30 September 2021 are as follows:

2021

			Number of Options						
Grant Date	Expiry Date	Exercise Price	Outstanding as at 1 October 2020	Options Granted	Expired	Forfeited*	Exercised	Outstanding as at 30 September 2021	Exercisable as at 30 September 2021
13 September 2019	16 June 2024	RM0.89	10,051,000	-	-	(453,000)	-	9,598,000	7,588,000
28 September 2020	16 June 2024	RM0.73	1,309,000	-	-	(3,000)	-	1,306,000	688,000
30 September 2021	16 June 2024	RM0.84	-	176,000	-	-	-	176,000	75,000
			11,360,000	176,000	-	(456,000)	-	11,080,000	8,351,000
Weighted average exercise price (RM)			0.87	0.84	-	0.89	-	0.87	0.88

* Forfeited due to resignation of employees

The weighted average share price at the date of exercise for share options exercised during the current financial year was RM1.17 (2021: Nil). The options outstanding at 30 September 2022 has a weighted average remaining contractual life of 1.71 years (2021: 2.71 years).

16. RETAINED PROFITS

The Company is able to distribute dividends to its shareholders under the single tier system.

Pursuant to Section 51(1) of the Financial Services Act 2013, the Company is required to obtain BNM’s written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio (“CAR”) position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position below its internal target capital level.

As at 30 September 2022 and 2021, the Company has a CAR in excess of the minimum requirement as stipulated in the RBC Framework.

17. INSURANCE CONTRACT LIABILITIES

	2022 Gross RM'000	2022 Reinsurance RM'000 (Note 10)	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000 (Note 10)	2021 Net RM'000
General insurance	550,146	(208,218)	341,928	543,686	(193,946)	349,740

The general insurance contract liabilities and its movements are further analysed as follows:

	Note	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
Provision for claims reported		297,262	(120,778)	176,484	290,241	(116,321)	173,920
Provision for IBNR claims		105,479	(31,928)	73,551	106,402	(27,713)	78,689
PRAD		36,151	(15,425)	20,726	35,539	(14,643)	20,896
Claims Liabilities	17.1	438,892	(168,131)	270,761	432,182	(158,677)	273,505
Premium Liabilities	17.2	111,254	(40,087)	71,167	111,504	(35,269)	76,235
		550,146	(208,218)	341,928	543,686	(193,946)	349,740

17. INSURANCE CONTRACT LIABILITIES (CONT'D.)

17.1 Claims Liabilities

	Note	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
At 1 October		432,182	(158,677)	273,505	420,757	(141,386)	279,371
Claims incurred in the current accident year (direct and facultative)		182,837	(57,450)	125,387	121,306	(38,365)	82,941
Adjustment to claims incurred in prior accident year (direct and facultative)		(32,648)	5,245	(27,403)	(7,093)	(8,492)	(15,585)
Claims incurred during the year (treaty inwards claims)		(442)	-	(442)	393	-	393
Movement in PRAD at 75% confidence level		612	(782)	(170)	3,987	(3,653)	334
Movement in claims handling expenses		743	-	743	543	-	543
Claims paid during the year	27	(144,392)	43,533	(100,859)	(107,711)	33,219	(74,492)
At 30 September		438,892	(168,131)	270,761	432,182	(158,677)	273,505

17. INSURANCE CONTRACT LIABILITIES (CONT'D.)

17.2 Premium Liabilities

	Note	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
At 1 October		111,504	(35,269)	76,235	103,579	(31,254)	72,325
Premiums written during the year	23	283,976	(128,646)	155,330	250,658	(111,188)	139,470
Premiums earned during the year	23	(284,226)	123,828	(160,398)	(242,733)	107,173	(135,560)
At 30 September		111,254	(40,087)	71,167	111,504	(35,269)	76,235

At 30 September 2022, the insurance contract liabilities above include the Company's proportionate share of MMIP's claims and premium liabilities amounting to RM15,950,116 (2021: RM22,257,337) and RM801,204 (2021: RM859,043) respectively.

18. DEFERRED TAX LIABILITIES

	Note	2022 RM'000	2021 RM'000
At 1 October		(9,488)	(4,313)
Transfer from/(to) income statement	31	894	(420)
- Deferred tax assets		(106)	(93)
- Deferred tax liabilities		1,000	(327)
Transfer from/(to) FVOCI reserve		4,079	(4,689)
- Deferred tax liabilities		4,079	(4,689)
Transfer to revaluation reserve		(113)	(66)
- Deferred tax liabilities		(113)	(66)
At 30 September		(4,628)	(9,488)

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 taxes relate to the same tax authority.

	Note	2022 RM'000	2021 RM'000
Reflected after offsetting in the statement of financial position as follows:			
Deferred tax assets	18.1	487	593
Deferred tax liabilities	18.2	(5,115)	(10,081)
Net deferred tax liabilities		(4,628)	(9,488)

18. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

18.1 Deferred tax assets

The components and movements of deferred tax assets during the current and previous financial years prior to offsetting are as follows:

	Revaluation deficit	Impairment of insurance receivables	Provisions and other temporary differences	Total
2022	RM'000	RM'000	RM'000	RM'000
At 1 October	30	200	363	593
Recognised in income statement	-	8	(114)	(106)
At 30 September	30	208	249	487
2021				
At 1 October	30	251	405	686
Recognised in income statement	-	(51)	(42)	(93)
At 30 September	30	200	363	593

18. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

18.2 Deferred tax liabilities

The components and movements of deferred tax liabilities during the current and previous financial years prior to offsetting are as follows:

2022	Changes in fair value of FVTPL financial assets RM'000	Changes in fair value of FVOCI financial assets RM'000	Revaluation surplus RM'000	Accelerated capital allowances RM'000	Leases and other temporary differences RM'000	Total RM'000
At 1 October	(544)	(4,893)	(4,489)	(38)	(117)	(10,081)
Recognised in income statement	877	-	-	176	(53)	1,000
Recognised in the FVOCI reserve	-	4,079	-	-	-	4,079
Recognised in revaluation reserve	-	-	(113)	-	-	(113)
At 30 September	333	(814)	(4,602)	138	(170)	(5,115)
2021						
At 1 October	-	(356)	(4,423)	(176)	(44)	(4,999)
Recognised in income statement	(544)	152	-	138	(73)	(327)
Recognised in the FVOCI reserve	-	(4,689)	-	-	-	(4,689)
Recognised in revaluation reserve	-	-	(66)	-	-	(66)
At 30 September	(544)	(4,893)	(4,489)	(38)	(117)	(10,081)

19. BORROWINGS

	Effective interest rate per annum	Maturity	2022 RM'000	2021 RM'000
Unsecured				
Subordinated Notes	8.01%	2022	-	69,790
Amount due within 1 year			-	69,790

During the financial year ended 30 September 2012, the Company established a Subordinated Notes ("Sub Notes") Programme with an aggregate nominal value of RM150,000,000 issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a tenure of 10 years on a 10 non-callable 5 basis, with a fixed coupon rate of 7.60% per annum. Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the holding company whilst the remaining RM35,000,000 were subscribed by a third party.

The Sub Notes have matured during the year and have been fully redeemed on 27 June 2022.

20. INSURANCE PAYABLES

		2022 RM'000	2021 RM'000
Due to reinsurers and ceding companies		10,323	21,216
Due to agents, brokers, co-insurers and insureds		6,013	2,572
	(a)	16,336	23,788

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances. All amounts are payable within one year.

20. INSURANCE PAYABLES (CONT'D.)

(a) Offsetting insurance receivables and insurance payables

	Note	2022 RM'000	2021 RM'000
Gross amounts of recognised insurance payables		32,247	34,361
Less: Gross amounts of recognised insurance receivables set off	11	(15,911)	(10,573)
Net amounts of insurance payables		16,336	23,788

21. OTHER PAYABLES

	2022 RM'000	2021 RM'000
Sales and services tax payable	2,030	2,771
Sundry creditors	1,255	1,242
Accruals	1,146	2,002
Allowance for unutilised leave	690	1,180
Stamp duty payable	473	624
Accrual of directors' fees	382	410
Collateral deposits	108	106
Due to holding company*	37	42
Refund premiums	9	9
Unclaimed monies	7	6
Due to stockbrokers	-	6
Interest payable on Subordinated Notes**	-	1,385
	6,137	9,783

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

* Amount due to holding company is unsecured, interest free and repayable in accordance with applicable terms.

** Interest payable on Subordinated Notes represented interest accrued for three months at the end of the previous year, which was payable in accordance with the terms of the Subordinated Notes.

22. OPERATING REVENUE

	Note	2022 RM'000	2021 RM'000
Insurance fund			
Gross earned premiums	23(a)	284,226	242,733
Investment income	24	15,573	14,926
		299,799	257,659

23. NET EARNED PREMIUMS

	Note	2022 RM'000	2021 RM'000
(a) Gross earned premiums			
Gross premiums	17.2	283,976	250,658
Change in premium liabilities		250	(7,925)
	17.2	284,226	242,733
(b) Premiums ceded to reinsurers			
Gross premiums ceded to reinsurers	17.2	(128,646)	(111,188)
Change in premium liabilities		4,818	4,015
	17.2	(123,828)	(107,173)
Net earned premiums		160,398	135,560

24. INVESTMENT INCOME

	Note	2022 RM'000	2021 RM'000
Financial assets at FVTPL			
Mandatorily measured:			
Dividend income:			
- Shares quoted in Malaysia		623	744
- Unit trusts		2,984	7,229
		3,607	7,973

24. INVESTMENT INCOME (CONT'D.)

	Note	2022 RM'000	2021 RM'000
Financial assets at FVOCI			
Designated upon initial recognition:			
Distribution income:			
- Shares quoted in Malaysia		4,711	-
Dividend income:			
- Shares quoted in Malaysia		188	565
Mandatorily measured:			
Interest income		3,394	3,329
		8,293	3,894
Financial assets at amortised cost			
Mandatorily measured:			
Interest income:			
- Deposits and placements with financial institutions		4,127	2,065
Profit from Islamic fixed deposits		372	439
		4,499	2,504
Investment (loss)/income from:			
- MMIP		(1,088)	261
- Malaysian Reinsurance Berhad ("MRB")		-	19
		(1,088)	280
Rental of properties:			
- Fellow subsidiary company	36	27	28
- Holding company	36	235	247
		262	275
	22	15,573	14,926

25. FAIR VALUE (LOSSES)/GAINS

	Note	2022 RM'000	2021 RM'000
Fair value (losses)/gains:			
- Financial assets at FVTPL:			
Unit trusts		1,229	765
Warrants		1,478	3,095
Shares quoted in Malaysia		(6,360)	139
		(3,653)	3,999
- Revaluation deficit of investment properties	6	(10)	(5)
		(3,663)	3,994

26. OTHER OPERATING INCOME, NET

	Note	2022 RM'000	2021 RM'000
Other operating income/(expenses):			
Sundry income		1,076	1,160
Write back of allowance/(Allowance) for impairment			
- Corporate debt securities	39(a)(ii)	52	(19)
Other expenses		(756)	(1,125)
		372	16

27. NET CLAIMS INCURRED

	Note	2022 RM'000	2021 RM'000
Gross claims paid	17.1	(144,392)	(107,711)
Claims ceded to reinsurers	17.1	43,533	33,219
Gross change in insurance contract liabilities		(6,710)	(11,425)
Changes in insurance contract liabilities ceded to reinsurers		9,454	17,291
		(98,115)	(68,626)

28. REALISED GAINS/(LOSSES), NET

	2022 RM'000	2021 RM'000
Realised gains/(losses):		
- Realised foreign exchange gain	3	1
- Financial assets at FVTPL:		
Warrants	620	-
Unit trusts	463	4
Shares quoted in Malaysia	(1,027)	(1,355)
- Property, plant and equipment	(25)	(10)
	34	(1,360)

29. MANAGEMENT EXPENSES

	Note	2022 RM'000	2021 RM'000
CEO's remuneration	30	1,001	802
Directors' remuneration	30	443	469
Staff salaries and bonus		17,105	17,403
Allowance for unutilised leave		(490)	211
Pension costs - defined contribution plan		2,087	2,100
Other staff benefits		2,411	2,524
Employees' share options expense	15	99	128
Depreciation of property, plant and equipment	5	1,264	1,261
Depreciation of ROU assets	8	2,659	3,344
Amortisation:			
- Intangible assets	7	357	456
Auditors' remuneration			
- Statutory audit		300	292
- Regulatory related services		38	36
- Other assurance services		150	-
Allowance for/(Write back of allowance for) impairment of:			
- Insurance receivables	39(a)	33	(210)
Management fees to:			
- Holding company	36	1,490	1,425
- Third party		139	147
Call centre service charges to:			
- Third parties		107	28
- Fellow subsidiary company	36	660	629
Subscription and software maintenance services:			
- Third parties		9	22
- Fellow subsidiary company	36	308	521
Printing and information system expenses:			
- Third parties		3,066	4,544
- Fellow subsidiary company	36	16,071	12,419
Leases of low-value assets	36	931	910
Short-term leases	36	784	544
Business development		4,072	5,714
Bank charges		34	19
Credit card charges		1,210	1,219
Office administration and utilities		2,276	1,640
MMIP expenses		260	356
Professional fees		2,872	2,828
Motor vehicle expenses		429	371
Travelling and transport expenses		103	89

29. MANAGEMENT EXPENSES

	2022 RM'000	2021 RM'000
Road Transport Department access fees	174	144
General insurance	121	126
Subscription fees	248	274
Levy	346	340
Motor assist & towing services	1,255	903
Gateway Subscription Fee	1,981	1,337
Other expenses	487	422
	66,890	65,787

30. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	Note	2022 RM'000	2021 RM'000
(a) Chief Executive Officer			
Salary		795	660
Bonus		110	55
Pension costs - defined contribution plan		96	87
Benefits-in-kind		41	71
Share options in POB		46	17
		1,088	890
Total Chief Executive Officer's remuneration excluding benefits-in-kind and share options	29	1,001	802
(b) Executive Director			
Allowance		50	50
(c) Non-Executive Directors			
Fees		393	419
Benefits-in-kind		19	19
		412	438
Total Directors' remuneration excluding benefits-in-kind	29	443	469

30. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONT'D.)

The total remuneration received by the individual Executive and Non-Executive Directors during the year was as follows:

	Allowance	Fees	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Executive Director:				
Mr. Chan Thye Seng	50	-	-	50
Non-Executive Directors:				
Dato' Dr. Zaha Rina binti Zahari	-	100	2	102
Mr. Prasheem Seebran	-	80	6	86
Dr. Loh Leong Hua	-	80	3	83
Mr. Lim Tian Huat	-	80	8	88
Dato' Foong Chee Meng (Appointed on 1 September 2022)	-	7	-	7
Pn. Norazian binti Ahmad Tajuddin (Resigned on 29 April 2022)	-	46	-	46
	50	393	19	462
2021				
Executive Director:				
Mr. Chan Thye Seng	50	-	-	50
Non-Executive Directors:				
Dato' Dr. Zaha Rina binti Zahari	-	89	2	91
Mr. Prasheem Seebran	-	80	7	87
Dr. Loh Leong Hua	-	80	2	82
Mr. Lim Tian Huat	-	80	8	88
Pn. Norazian binti Ahmad Tajuddin	-	90	-	90
	50	419	19	488

30. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONT'D.)

(d) The number of Executive and Non-Executive Directors whose total remuneration received during the year fell within the following bands is analysed below:

	2022	2021
Executive Director:		
RM40,000 - RM50,000	1	1
Non-Executive Directors:		
Below RM50,000	2	-
RM80,001 - RM90,000	3	3
RM90,001 - RM100,000	-	2
RM100,001 - RM110,000	1	-

31. TAXATION

	Note	2022 RM'000	2021 RM'000
Malaysian income tax:			
- Current		2,192	3,300
- (Over)/Under provision in prior years		(330)	1,359
		1,862	4,659
Deferred tax:			
Relating to timing differences			
- Current		(894)	835
- Over provision in prior years		-	(415)
Transferred (to)/from deferred taxation *		(894)	420
		968	5,079
* Amount transferred to/(from) deferred taxation			
- Deferred tax assets		(106)	(93)
- Deferred tax liabilities		1,000	(327)
	18	894	(420)

Malaysian current income tax and deferred tax are calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

31. TAXATION (CONT'D.)

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

	2022 RM'000	2021 RM'000
Profit before taxation	3,269	15,025
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	785	3,606
(Over)/Under provision of income tax in prior years	(330)	1,359
Over provision of deferred tax in prior years	-	(415)
Income not subject to tax	(1,166)	(1,940)
Expenses not deductible for tax purposes	1,679	2,469
Tax expense for the year	968	5,079

32. BASIC AND DILUTED EARNINGS PER SHARE (SEN)

Basic and diluted earnings per share of the Company is calculated by dividing the net profit of RM2,301,000 (2021: RM9,946,000) for the financial year by 100,000,000 ordinary shares in issue (2021: 100,000,000 ordinary shares).

There was no potential dilutive ordinary shares in issue at the end of the relevant reporting periods.

33. DIVIDENDS

The amount of dividends paid or declared by the Company on ordinary shares are as follows:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2022			
Final single tier dividend of 2.00 sen per share, declared on 23 February 2022	2.00	2,000	3 March 2022
2021			
Final single tier dividend of 7.50 sen per share, declared on 24 February 2021	7.50	7,500	4 March 2021

34. FINANCE COSTS

	Note	2022 RM'000	2021 RM'000
Interest expense on borrowings:			
- holding company	36	1,960	2,660
- third party		1,960	2,660
Interest expense on:			
- lease liabilities	8	231	380
Transaction costs of borrowings		210	266
Others		3	3
		4,364	5,969

35. COMMITMENTS AND CONTINGENCIES

On-going Litigation

On 10 August 2016, the Malaysia Competition Commission ("MyCC") through its powers granted under the Competition Act 2010 [Act 712] ("Competition Act") commenced investigations into an alleged infringement by the Persatuan Insurans Am Malaysia ("PIAM") and its 22 members including the Company under the Section 4 of the Competition Act.

The alleged infringement was in relation to an agreement reached pursuant to a requirement of BNM between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") on trade discount rates for parts of certain vehicle makes and labour hour rates for workshops under the PIAM Approved Repairers Scheme.

On 22 February 2017, MyCC issued its Proposed Decision on the alleged infringement which includes proposed financial penalties amounting to a total of RM213,454,814 on all the 22 members of PIAM. The proposed financial penalty on the Company was RM2,108,452. The Proposed Decision was subject to both written and oral representations from various parties including PIAM and the respective insurers.

The Company had via its legal counsel submitted its written representation on 25 April 2017, and delivered several oral representations to MyCC between 2017 and 2019. BNM and FAWOAM were invited at a hearing of the oral representations in 2019. The oral representations from all relevant insurers, as represented by legal counsels, was concluded on 18 June 2019.

On 14 September 2020, MyCC had issued its final decision against PIAM and its 22 members for violating Section 4 of the Competition Act, in relation to the above infringement. As a result, MyCC had imposed financial penalties of RM173,655,300 on all 22 insurance companies, and granted a 25% reduction on the final penalties after taking into consideration the economic impact arising from the Covid-19 pandemic.

35. COMMITMENTS AND CONTINGENCIES (CONT'D.)

On-going Litigation (Cont'd.)

MyCC had also served an official notice, dated 25 September 2020, to the Company, informing of its findings on the infringement of the Competition Act and the financial penalty imposed on the Company was RM1,581,339, net of the 25% discount granted arising from the Covid-19 pandemic.

On 30 September 2020, BNM had released a press statement, which said it regrets the MyCC's decision on the matter, as the arrangement was put in place through the facilitation and direction of BNM with the general insurers to address disputes between workshops and general insurance companies that had adversely impacted consumers in terms of delayed claims settlement.

PIAM, in a statement on 30 September 2020, had also expressed its disappointment with the MyCC's decision on the infringement, as PIAM and its members have always placed the motoring public and policyholders at the forefront.

PIAM has appealed against MyCC's decision that it infringed the Competition Act in connection with motor vehicle repairs. The Company has also, through its legal counsel, submitted its notice of appeal with the Competition Appeal Tribunal ("CAT") on 13 October 2020 and a stay application (pending the disposal of the appeal) on 16 March 2021. On 23 March 2021, the CAT granted a stay for all members including the Company in respect of both the cease and desist order and the financial penalty with no order as to costs. The CAT proceedings started in November 2021 with the Company's legal counsel, together with other legal counsels representing the insurers and PIAM making its submission. On 21 April 2022, the CAT concluded the proceedings after hearing from all parties including MyCC.

On 2 September 2022, the CAT unanimously decided and ordered, inter alia, that the appeal by PIAM and the insurers be allowed and that the whole of the MyCC Decision be set aside. Consequently, the financial penalties imposed on all the insurers amounting to an aggregate quantum of penalty of RM173,655,300 (including the Company's share of the penalty of RM1,581,339) was also set aside.

On 13 September 2022, MyCC has published a news release commenting on the decision by the CAT in relation to MyCC's decision, which MyCC is currently analysing and weighing its options, which includes filing a judicial review.

As at the date of the financial statements, MyCC has not initiated any further legal action on the CAT's decision. The Company has not made any provision, and will continue to disclose the matter as an on-going litigation until further development.

36. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) The significant transactions of the Company with its related parties are as follows:

	Note	2022 RM'000	2021 RM'000
Expenses/(income):			
Holding company:			
Management fees	29	1,490	1,425
Interest expense on Subordinated Notes	34	1,960	2,660
Income from leasing of office building	24	(235)	(247)
Other income		(17)	(14)
Fellow subsidiaries of POB Group:			
Call centre service charges	29	660	629
Printing and information system expenses	29	16,071	12,419
Repair and maintenance		267	275
Subscription and software maintenance services	29	308	521
Purchase of computer software		10	216
Income from leasing of office building	24	(27)	(28)
Expenses from leasing of office building		196	201
Leases of computer and office equipment		2,136	2,854
Leases of low-value assets	29	931	910
Short-term leases	29	784	544
Substantial shareholder, Sanlam Emerging Markets (Pty) Ltd:			
Pricing and product services		252	252

Information regarding outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 12, 19 and 21.

The Directors are of the opinion that the related party transactions above have been entered into in the normal course of business on terms and conditions which are not materially different from that obtainable in transactions with unrelated parties.

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(b) Key Management Personnel Compensation:

The key management personnel is defined as the CEO and the Executive Director.

The remuneration of key management personnel during the year are as follows:

	Note	2022 RM'000	2021 RM'000
Short-term employee benefits:			
Salary	30	795	660
Bonus	30	110	55
Share options in POB	30	46	17
Benefits-in-kind	30	41	71
Allowance	30	50	50
Post-employment benefits:			
Pension cost-defined contribution plan		96	87
		1,138	940

37. RISK MANAGEMENT FRAMEWORK

(a) Risk Management Framework

The Board of Directors, with the assistance of the Management, had implemented a risk management framework within the Company in June 2004. The primary goal of the framework is to provide a consistent approach to risks and to support the overall business objectives of the Company. The Framework was drawn up in line with the Joint Australian/New Zealand Standard AS/NZS ISO 31000:2018 Risk Management - Principles and Guidelines and was last updated in February 2022.

The Board is supported in its role by a Risk Management Committee ("RMC"), which was set up with clear terms of reference from the Board. The RMC is assisted by a Risk Management Department ("RMD").

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below:

- Board of Directors

  The Board retains the overall risk management responsibility and provides the risk oversight function, which includes:

  (i) Determining the Company's business strategies;

  (ii) Approving the Company's overall risk strategy;

  (iii) Approving the Company's risk philosophy/policy and concurring with the Company's risk appetite, and ensuring that they are consistent with the Company's strategic direction and business objectives;

  (iv) Knowing the extent to which management has established effective Enterprise Risk Management ("ERM") of the organization, including approving and periodic review of the Company's risk management framework as well as ensuring adequate resources and knowledge of management and staff involved in the risk management process;

  (v) Reviewing the Company's portfolio of risk and considering it against the Company's risk appetite; and

  (vi) Being apprised of the most significant risks and whether management is responding appropriately.

- Risk Management Committee ("RMC")

  The primary function of the RMC with regards to risk management is in providing oversight over the design and implementation of the governance, risk management and compliance management frameworks.

  This includes oversight over the philosophy, strategy, framework, policies and plan for governance, compliance and risk management to ensure systematic, disciplined approaches are developed and implemented.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Risk Management Committee ("RMC") (Cont'd.)

  The RMC is a Board committee, which comprises exclusively of non-executive directors. The Board entrusts the RMC with the overall responsibility for overseeing the risk management activities and to ensure the IT capabilities are sufficiently scrutinised to safeguard the infrastructure of the Company. The RMC has a broad mandate to ensure effective implementation of the objectives outlined in the risk management framework and compliance with them throughout the Company, which includes the following:

  Operational, Legal and Regulatory Risk

  (i) Overseeing effective communication and implementation of the Company's risk appetite;

  (ii) Reviewing and affirming the risk appetite regularly to ensure that it continues to be relevant and reflects changes in the Board's expectations;

  (iii) Providing critical challenge to senior management on the appropriateness of the risk strategy, policies and tolerances;

  (iv) Evaluating whether the risk management framework (including identifying, measuring, monitoring and controlling risks) supports effective implementation of the risk strategy;

  (v) Promoting a culture of risk awareness and risk management within the Company;

  (vi) Ensuring that management has the requisite skills, experience and competencies in risk management that are appropriate to the nature, scale and complexity of the Company's business;

  (vii) Ensuring adequate infrastructure, resources and systems are in place for effective risk management;

  (viii) Overseeing the design and development of the Company's risk management framework, in particular, challenging the credibility and robustness of development processes and ensure that there are no material gaps or weaknesses;

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Risk Management Committee ("RMC") (Cont'd.)

Operational, Legal and Regulatory Risk (Cont'd.)

(ix) Examining whether incentives provided by the remuneration system have taken into consideration risks (i.e. remuneration practices does not encourage imprudent risk taking), capital and liquidity (i.e. the Company can "afford" its remuneration expenses in the long term from a capital and liquidity perspective) and the likelihood and timing of earnings (i.e. quality and volatility of revenues may vary over time horizons), without prejudice to the tasks of the Remuneration Committee; and

(x) Periodically reporting higher risk exposures to the Board.

IT Risk

(i) To establish and approve the technology risk appetite which is aligned with the Company's risk appetite statement;

(ii) To approve the corresponding risk tolerances for technology-related events and ensure key performance indicators and forward-looking risk indicators are in place to monitor the Company's technology risk against its approved risk tolerance;

(iii) To ensure senior management provides regular updates on the status of the indicators as per paragraph above, together with sufficiently detailed information on key technology risks and critical technology operations to facilitate strategic decision-making;

(iv) To ensure and oversee the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three years. These plans shall address the Company's requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources, which are commensurate with the complexity of the Company's operations and changes in the risk profile as well as the business environment;

(v) To periodically review the strategic plans above, at least once every three years;

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Risk Management Committee ("RMC") (Cont'd.)

IT Risk (Cont'd.)

(vi) To oversee the effective implementation of the following technology-related frameworks and ensure their soundness and robustness in securing continuity of operations and delivery of services:;

- Technology risk management framework ("TRMF") - a framework to safeguard the Company's information infrastructure, systems and data.
- Cyber resilience framework ("CRF") - a framework for ensuring the Company's cyber resilience.

(vii) The RMC shall make recommendations to the Board for the Board's consideration and final approval on matters relating to IT and compliance to TRMF and CRF;

(viii) To ensure that the Company's TRMF and CRF remain relevant on an ongoing basis and to periodically review and affirm the TRMF and CRF, at least once every three years to guide the Company's management of technology risks;

(ix) To ensure that risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive. The RMC shall assess risk areas, including but not limited to:;

- data quality and data governance
- privacy and protection of personal information
- data security and information technology system control
- disaster and recovery planning
- financial, reputational, compliance risks
- sustainability considerations
- project and system implementation risks

(x) To ensure adequate discussion on cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident. This shall be supported by input from external experts as appropriate;

(xi) To ensure continuous engagement in cybersecurity preparedness, education and training throughout the Company;

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Risk Management Committee ("RMC") (Cont'd.)

IT Risk (Cont'd.)

(xii) To deliberate on the outcome of the following assessments performed by technically competent external service providers appointed by the Company, which must be conducted at least once in three years or whenever there is a material change in the data centre infrastructure or design network, whichever is earlier; and

- Network resilience and risk assessments ("NRA")
- Production data centre resilience and risk assessment ("DCRA")

(xiii) To provide confirmation to BNM on the Company's readiness to provide internet insurance services or implement any material enhancement to internet insurance services, if necessary.

The full responsibilities and detailed administrative duties of the RMC are set out in the Board approved RMC's Term of Reference.

- Risk Management Department ("RMD")

The role of the RMD function is to facilitate and coordinate risk and compliance activities for the Company as mandated by the Board.

The main role is to objectively and independently monitor that key risks for the Company are identified, understood and appropriately managed within the overall Company strategy and risk appetite, and if not, to follow the agreed upon process for escalation.

The RMC delegates to the RMD, the responsibility for ensuring effective implementation and maintenance of the framework and that all staff adhere to its mandates.

The RMD acts as the central contact and guide for Enterprise Risk Management ("ERM") issues within the Company. The RMD coordinates ERM routinely among the various business units. In support of its function, the RMD seeks the advice of other business units, such as operations, IT, finance, etc., as and when necessary.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Risk Management Department ("RMD") (Cont'd.)

  The roles and responsibilities of the RMD include:

  (i) Implementing risk management policy/philosophy within the Company;

  (ii) Establishing a common risk management language that includes common measures around likelihood and impact, and common risk categories;

  (iii) Challenging risk owners regarding all aspects of risk arising from the Company's activities;

  (iv) Monitoring progress of risk mitigation plans;

  (v) Developing and maintaining documentation of the ERM process, which includes the Risk Management Framework, the Risk Registers and risk profiles for the Company;

  (vi) Communicating ERM information within the Company to create risk awareness amongst the staff and arranging with the Human Resource Department to promote ERM throughout the entity, where necessary; and

  (vii) Preparing quarterly reports to the RMC.

  The Head of RMD reports to and has direct and unimpeded access to the Board and/or RMC to safeguard the RMD's independence. Nevertheless, the Head of RMD also has reporting obligations to the CEO to ensure that the CEO is kept informed of and engaged in risk matters.

- Management

  Management is directly responsible for all activities of the Company, including ERM. This includes:

  (i) Establishing clear guidance regarding the business and risk strategy, including risk limits, for individual business units;

  (ii) Contributing towards promoting a sound risk culture through a clear focus on risk in the activities of the Company and timely and proportionate responses to inappropriate risk-taking behaviour;

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Management (Cont'd.)

  (iii) Promoting a culture of risk awareness and risk management within the Company;

  (iv) Establishing a management structure that promotes accountability and the effective oversight of delegated authority and responsibilities for risk-taking decisions; and

  (v) Implementing appropriate systems for managing financial and non-financial risks to which the Company is exposed.

  The line accountability for risk management is fully aligned with the Company's management structure. Accordingly, approvals, responsibilities and accountabilities applicable to the identification, evaluation, monitoring and reporting of the Company's risks are attributed to the RMD.

- Risk Owners

  Risk owners normally comprise heads of business units. They perform the operational risk assessment, management, monitoring and reporting risk exposures in their areas/activities within their control.

- Staff

  Staff should be cognisant of operational risks, undertaking tasks in a careful and conscientious manner that reflects - but not limited to - the Company's policies. They are to report any new or escalating risks identified to the Risk Owners.

- Internal Audit Department ("IAD")

  The IAD provides independent assurance on the adequacy and effectiveness of the risk management process established by the Company and recommending improvements thereto. This includes evaluating the reliability of reporting and the Company's compliance with laws and regulations. The IAD reports directly to the Audit Committee on its findings.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The responsibilities of the various parties for risk management within the Company are summarised below: (Cont'd.)

- Compliance Department

  The Compliance Department acts as the second line of defence, providing independent oversight of primary and consequential risks. This includes setting risk limits and protecting against non-compliance with applicable laws and regulations. The Compliance Department, amongst others, ensures controls to manage compliance risk are adequate and operating as intended. It also assess and monitors compliance risk faced by the Company.

- Finance Department

  Finance plays an important role in helping the company with internal controls and risk management. In addition to drafting financial statement or assisting with financial strategy, finance must be prepared to deal with the uncertainties that Company can face. The provision of regular risk based capital reports are one of the most important ways in which finance assist with assessing risk.

The Company's Risk Management Framework requires that all of its businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Company. The Framework is based on the concept of 'three lines of defence' i.e. day-to-day risk management by the risk owners, risk oversight by the RMD and RMC and independent assurance by the Audit Committee, supported by the Internal Audit function.

Regular reports on key risks identified and the management of such risks are presented regularly to the RMC for its review and endorsement. Periodically, the RMC also reviews the adequacy and continued relevance of the Risk Management Framework, particularly in relation to mechanisms for principal risks identification, assessment, treatment, monitoring and review and communication.

Twice a year, the Chief Executive Officer ("CEO") presents reports to the Board of Directors on the scope and performance of the risk management and internal control system, to assist the Board in its risk management and internal control responsibilities. For the current year under review, the CEO has intimated that the Company's risk management and internal control system was adequate and generally effective in addressing the identified risks of the Company. Although minor lapses were noted, these did not have a significant impact on the Company.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(b) Capital Management

The Company is subject to the capital adequacy requirements of the Risk Based Capital ("RBC") Framework as implemented by Bank Negara Malaysia to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The RBC capital adequacy requirements involves the Company maintaining an adequate level of capital based on the risk exposures of the Company. This externally imposed capital requirement has been complied with by the Company to date.

` The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;

- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;

- To align the profile of assets and liabilities taking account of risks inherent in the business;

- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and

- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the RBC Framework, including any additional amounts required by the regulator.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to manage capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(b) Capital Management (Cont'd.)

The primary source of capital used by the Company is equity shareholders' funds and borrowings. The Company also utilises, where efficient to do so, sources of capital such as reinsurance and securitisation in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Board is provided with regular updates on the Company's capital adequacy position. At the end of the current and previous financial years the Company has complied with the capital requirements under the RBC Framework.

(c) Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP is a process that is created to identify, assess, monitor, manage and report the short and long terms risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times.

It includes the Capital Management Plan which is a detailed plan that outlines measures that management will take in the event that the Individual Target Capital Level ("ITCL") is breached. These measures include:

- Management's effort in reducing risk by continually enhancing the internal processes of the company;

- The disposal of equity and high capital charge investments;

- The use of proportional reinsurance that has been pre-arranged by the company;

- The use of the subordinated debt programme which will increase Tier 2 capital; and

- Injection of shareholder funds.

The ICAAP has undergone independent reviews by the Group IAD and an external consultant. The reviews focused on many of the favourable aspects of the company's ICAAP and have outlined (in conjunction with management) a few recommendations that will enhance the process even further.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(d) Governance and Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or national disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

(e) Asset Liability Management ("ALM") Framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk.

The Company manages these positions within an ALM Framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principle technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

- Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities; and

- Forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

38. INSURANCE RISK

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

The Company underwrites various general insurance contracts which are mostly on an annual coverage and annual premium basis with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Company also underwrites some non-annual policies with coverage period more than one year such as Contractor's All Risks and Engineering, Bonds and Workmen Compensation.

The majority of the insurance business written by the Company is Motor and Personal Accident insurance. Other insurance business includes Fire, Contractor's All Risks and Engineering, Workmen Compensation, Professional Indemnity and other miscellaneous classes of insurance.

The principal insurance risks faced by the Company include risks of actual claims and benefit payments differing from expectation, risks arising from natural disasters, risks arising from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Company seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

38. INSURANCE RISK (CONT'D.)

The Company has the following policies and processes to manage its insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on underwriting capacity, and authority to individuals based on their specific expertise;

- A claim management and control system to pay claims and control claim wastage or fraud;

- Claim review policies to assess all new and ongoing claims and possible fraudulent claims are investigated to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities; and

- The Company purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to control exposure to insurance losses, reduce volatility and optimising the Company's capital efficiency. Reinsurance is ceded on proportional and non-proportional basis. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

38. INSURANCE RISK (CONT'D.)

The table below sets out the concentration of the Company's business by type of insurance products, using gross and net earned premiums:

	2022			2021		
	Gross earned premiums	Reinsurance	Net earned premiums	Gross earned premiums	Reinsurance	Net earned premiums
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance business						
Motor	192,072	(42,413)	149,659	164,156	(39,853)	124,303
Personal Accident	4,853	(562)	4,291	5,539	(596)	4,943
Fire	1,823	(1,287)	536	1,690	(968)	722
Miscellaneous	85,478	(79,566)	5,912	71,348	(65,756)	5,592
	284,226	(123,828)	160,398	242,733	(107,173)	135,560

The table below sets out the concentration of the Company's insurance contract liabilities by type of insurance products:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Premium liabilities						
Motor	96,870	(29,447)	67,423	91,805	(19,595)	72,210
Personal Accident	350	(71)	279	489	(54)	435
Fire	376	(236)	140	303	(149)	154
Miscellaneous	13,658	(10,333)	3,325	18,907	(15,471)	3,436
	111,254	(40,087)	71,167	111,504	(35,269)	76,235

38. INSURANCE RISK (CONT'D.)

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities						
Motor	345,778	(90,017)	255,761	344,673	(86,300)	258,373
Personal Accident	2,859	(139)	2,720	3,547	(161)	3,386
Fire	4,131	(3,278)	853	2,209	(1,440)	769
Miscellaneous	86,124	(74,697)	11,427	81,753	(70,776)	10,977
	438,892	(168,131)	270,761	432,182	(158,677)	273,505

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, discounting factors, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments 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 claiming, economic conditions as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment 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 variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity

The Appointed Actuary re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its insurance contracts.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

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

38. INSURANCE RISK (CONT'D.)

Sensitivity (Cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(Decrease)			
2022					
Average claim cost	+ 10%	21,661	17,275	(17,275)	(13,129)
Average number of claims	+ 10%	3,007	2,385	(2,385)	(1,812)
Average claim settlement period	delayed by 6 months	2,639	2,074	(2,074)	(1,576)
2021					
Average claim cost	+ 10%	24,757	19,742	(19,742)	(15,004)
Average number of claims	+ 10%	9,128	7,404	(7,404)	(5,627)
Average claim settlement period	delayed by 6 months	2,077	1,645	(1,645)	(1,250)

* Impact on equity reflects adjustments for tax, where applicable.

A reduction in the key assumption at the rates shown above will have an equal but opposite effect on gross and net liabilities, profit before taxation and equity.

The Company has only assessed the sensitivity on average claim settlement period for Motor Act due to the long-tailed nature of the portfolio.

Claims development table

The following tables show the Company's estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Company believes that the estimate of total claims outstanding as of 30 September 2022 is adequate. However, the possibility of inadequacy of such balance should not be ruled out as the actual experience is likely to differ from the projected results to different degrees, depending on the level of uncertainty. This is primarily due to the nature of the reserving process and the elements of uncertainty inherent in the exercise.

38. INSURANCE RISK (CONT'D.)

Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		223,370	199,691	188,653	188,323	182,297	124,546	188,257	
One year later		177,210	146,915	146,399	157,127	146,760	113,724	-	
Two years later		173,470	142,800	144,075	161,015	140,957	-	-	
Three years later		164,646	139,972	148,776	158,398	-	-	-	
Four years later		163,426	142,722	144,255	-	-	-	-	
Five years later		175,708	141,519	-	-	-	-	-	
Six years later		164,961	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		164,961	141,519	144,255	158,398	140,957	113,724	188,257	
At end of accident year		(32,100)	(29,859)	(29,587)	(32,319)	(28,295)	(22,437)	(49,355)	
One year later		(75,007)	(71,540)	(73,453)	(64,169)	(54,294)	(47,141)	-	
Two years later		(119,145)	(100,568)	(96,662)	(88,375)	(77,983)	-	-	
Three years later		(138,007)	(113,282)	(111,858)	(107,589)	-	-	-	
Four years later		(146,250)	(119,838)	(120,295)	-	-	-	-	
Five years later		(150,765)	(125,232)	-	-	-	-	-	
Six years later		(154,707)	-	-	-	-	-	-	
Cumulative payments to date		(154,707)	(125,232)	(120,295)	(107,589)	(77,983)	(47,141)	(49,355)	
Gross general insurance outstanding liability (direct and facultative)	35,120	10,254	16,287	23,960	50,809	62,974	66,583	138,902	404,889
Gross general insurance outstanding liability (treaty inward)									454
Best estimate of claims liabilities									405,343
Claims handling expenses									7,797
PRAD at 75% confidence level									37,062
Effects of discounting									(11,310)
Gross general insurance contract liabilities per statement of financial position									438,892

38. INSURANCE RISK (CONT'D.)

Claims development table (Cont'd.)

Net general insurance contract liabilities for 2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		172,639	148,606	101,587	142,820	136,607	85,440	129,681	
One year later		120,864	99,684	96,360	114,633	107,427	79,107	-	
Two years later		116,799	95,813	94,593	117,354	100,954	-	-	
Three years later		112,338	94,643	96,258	110,893	-	-	-	
Four years later		111,563	96,622	93,372	-	-	-	-	
Five years later		114,777	95,588	-	-	-	-	-	
Six years later		111,169	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		111,169	95,588	93,372	110,893	100,954	79,107	129,681	
At end of accident year		(25,086)	(22,481)	(21,731)	(24,720)	(22,831)	(17,312)	(38,650)	
One year later		(56,418)	(50,029)	(50,218)	(48,750)	(42,294)	(35,486)	-	
Two years later		(84,099)	(70,628)	(65,635)	(65,631)	(59,164)	-	-	
Three years later		(96,493)	(79,723)	(74,737)	(79,344)	-	-	-	
Four years later		(101,694)	(84,043)	(79,497)	-	-	-	-	
Five years later		(103,980)	(86,343)	-	-	-	-	-	
Six years later		(105,315)	-	-	-	-	-	-	
Cumulative payments to date		(105,315)	(86,343)	(79,497)	(79,344)	(59,164)	(35,486)	(38,650)	
Net general insurance outstanding liability (direct and facultative)	13,037	5,854	9,245	13,875	31,549	41,790	43,621	91,031	250,002
Net general insurance outstanding liability (treaty inward)									454
Best estimate of claims liabilities									250,456
Claims handling expenses									7,797
PRAD at 75% confidence level									21,439
Effects of discounting									(8,931)
Net general insurance contract liabilities per statement of financial position									270,761

38. INSURANCE RISK (CONT'D.)

Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		235,691	223,370	199,691	188,653	188,323	182,297	124,546	
One year later		208,308	177,210	146,915	146,399	157,127	146,760	-	
Two years later		202,198	173,470	142,800	144,075	161,015	-	-	
Three years later		197,726	164,646	139,972	148,776	-	-	-	
Four years later		194,570	163,426	142,722	-	-	-	-	
Five years later		195,172	175,708	-	-	-	-	-	
Six years later		198,961	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		198,961	175,708	142,722	148,776	161,015	146,760	124,546	
At end of accident year		(36,239)	(32,100)	(29,859)	(29,587)	(32,319)	(28,295)	(22,437)	
One year later		(91,019)	(75,007)	(71,540)	(73,453)	(64,169)	(54,294)	-	
Two years later		(134,824)	(119,145)	(100,568)	(96,662)	(88,375)	-	-	
Three years later		(164,628)	(138,007)	(113,282)	(111,858)	-	-	-	
Four years later		(176,689)	(146,250)	(119,838)	-	-	-	-	
Five years later		(181,728)	(150,765)	-	-	-	-	-	
Six years later		(185,995)	-	-	-	-	-	-	
Cumulative payments to date		(185,995)	(150,765)	(119,838)	(111,858)	(88,375)	(54,294)	(22,437)	
Gross general insurance outstanding liability (direct and facultative)	32,010	12,966	24,943	22,884	36,918	72,640	92,466	102,109	396,936
Gross general insurance outstanding liability (treaty inward)									975
Best estimate of claims liabilities									397,911
Claims handling expenses									7,054
PRAD at 75% confidence level									36,286
Effects of discounting									(9,069)
Gross general insurance contract liabilities per statement of financial position									432,182

38. INSURANCE RISK (CONT'D.)

Claims development table (Cont'd.)

Net general insurance contract liabilities for 2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		178,631	172,639	148,606	101,587	142,820	136,607	85,440	
One year later		152,783	120,864	99,684	96,360	114,633	107,427	-	
Two years later		148,032	116,799	95,813	94,593	117,354	-	-	
Three years later		143,827	112,338	94,643	96,258	-	-	-	
Four years later		141,592	111,563	96,622	-	-	-	-	
Five years later		141,425	114,777	-	-	-	-	-	
Six years later		142,332	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		142,332	114,777	96,622	96,258	117,354	107,427	85,440	
At end of accident year		(28,124)	(25,086)	(22,481)	(21,731)	(24,720)	(22,831)	(17,312)	
One year later		(69,408)	(56,418)	(50,029)	(50,218)	(48,750)	(42,294)	-	
Two years later		(101,677)	(84,099)	(70,628)	(65,635)	(65,631)	-	-	
Three years later		(121,227)	(96,493)	(79,723)	(74,737)	-	-	-	
Four years later		(129,265)	(101,694)	(84,043)	-	-	-	-	
Five years later		(132,526)	(103,980)	-	-	-	-	-	
Six years later		(134,494)	-	-	-	-	-	-	
Cumulative payments to date		(134,494)	(103,980)	(84,043)	(74,737)	(65,631)	(42,294)	(17,312)	
Net general insurance outstanding liability (direct and facultative)	13,470	7,838	10,797	12,579	21,521	51,723	65,133	68,128	251,189
Net general insurance outstanding liability (treaty inward)									975
Best estimate of claims liabilities									252,164
Claims handling expenses									7,054
PRAD at 75% confidence level									21,485
Effects of discounting									(7,198)
Net general insurance contract liabilities per statement of financial position									273,505

39. FINANCIAL RISKS

The Company is exposed to a variety of financial risks arising from its operations. The key financial risks are credit risk, liquidity risk, and market risk.

The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst minimising potential exposure to adverse effects on its financial performance and positions.

The policies and processes taken by the Company to manage these risks are set out below:

(a) Credit risk

Credit risk is the risk of financial loss that may arise from the failure of intermediary or counterparties in meeting their financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investments in debt instruments, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts.

The Company has the following policies and processes to manage and mitigate its credit risks:

- Financial loss from an investment in debt instrument may arise from a change in the value of the investment due to a rating downgrade or default. Before acquiring a debt instrument from an issuer, an evaluation of the issuer's credit risk is undertaken by the Company. Ratings assigned by external rating agencies are also used in the evaluation to ensure optimal credit quality of the individual debt instrument concerned. The Company also has an Investment Policy which sets out the limits on which the Company may invest in each counterparty so as to ensure that there is no concentration of credit risk;

- Insurance receivables which arise mainly from premiums collected on behalf of the Company by appointed agents, brokers and other intermediaries are monitored on a daily basis to ensure adherence to the Company's Credit Policy. Internal guidelines are also established to evaluate the Company's intermediaries before their appointment as well as setting credit terms/limits to the appointees concerned; and

- Receivables from reinsurance contracts are monitored on a monthly basis to ensure compliance with payment terms. The Company also monitors the credit quality and financial conditions of its reinsurers on an ongoing basis to reduce the risk exposure. When selecting its reinsurers, the Company considers their relative financial security which is assessed based on public rating information, annual reports and other financial data.

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial and insurance assets components of the statement of financial position. The reinsurers' share of unearned premium reserves have been excluded from the analysis as they are not contractual obligations.

	2022 RM'000	2021 RM'000
Reinsurance assets	168,131	158,677
Insurance receivables	13,834	23,453
Financial assets at FVOCI	71,525	61,971
Other receivables	3,662	2,854
Deposits and placements with financial institutions	144,567	109,950
Cash and cash equivalents	27,904	21,265
	429,623	378,170

The above financial and insurance assets are not secured by any collaterals or credit enhancements.

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM'000	AA RM'000	A RM'000	B RM'000	BB RM'000	BBB RM'000	Not Rated RM'000	Total RM'000
2022								
Reinsurance assets	-	11,915	139,393	5,103	1,745	8	9,967 ^	168,131
Insurance receivables	-	11	8,040	82	46	-	5,655 ^	13,834
Financial assets at FVOCI	9,941	21,519	10,158	-	-	-	29,907	71,525
Other receivables	1,696	262	284	-	-	-	1,420	3,662
Deposits and placements with financial institutions	114,759	12,497	17,311	-	-	-	-	144,567
Cash and cash equivalents	17,701	-	10,159	-	-	-	44	27,904
	144,097	46,204	185,345	5,185	1,791	8	46,993	429,623
2021								
Reinsurance assets	-	367	141,520	4,169	2,372	-	10,249 ^	158,677
Insurance receivables	-	219	16,146	196	101	-	6,791 ^	23,453
Financial assets at FVOCI	-	20,483	10,480	-	-	-	31,008	61,971
Other receivables	1,021	237	250	-	-	-	1,346	2,854
Deposits and placements with financial institutions	75,706	12,239	15,505	-	-	-	6,500	109,950
Cash and cash equivalents	11,014	-	10,207	-	-	-	44	21,265
	87,741	33,545	194,108	4,365	2,473	-	55,938	378,170

^ Non-rated balances primarily relate to balances due/recoverable from local brokers/insurers/reinsurers licensed under the Financial Services Act, 2013 and Labuan Financial Services and Securities Act 2010.

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Investment assets - Reconciliation of allowance account

(i) Significant increase in credit risk ("SICR")

The Company applies the General Approach or the 'three-bucket' approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of Expected credit losses ("ECL") is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date.

(ii) Expected credit losses ("ECL")

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. 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 the financial assets have occurred.

As at the reporting date, all financial assets at amortised cost held by the Company are classified as Stage 1. There were no ECL arising from these assets as at 30 September 2021 and 30 September 2022. The credit rating of these financial assets at amortised cost are as disclosed above in Note 39(a).

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Investment assets - Reconciliation of allowance account (Cont'd.)

(ii) Expected credit losses ("ECL") (Cont'd.)

The following table shows the fair value of the Company's financial assets measured at FVOCI by credit risk and the expected credit loss amount recognised.

	2022 RM'000	2021 RM'000
Financial assets at FVOCI		
AAA	9,941	-
AA	21,519	20,483
A	10,158	10,480
Not rated	29,907	31,008
Total carrying amount	71,525	61,971
Total ECL	5	57

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

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

	Note	2022 RM'000	2021 RM'000
As at 1 October		57	38
Net adjustment of loss allowances	26	(52)	19
As at 30 September		5	57

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Insurance receivables - Reconciliation of allowance account

Expected credit loss

Set out below is the information about the credit risk exposure on the Company's insurance receivables using a provision matrix:

(a) ECL by staging

	Months in arrears							
	Group 1				Group 2			
	0 to 1 month RM'000	2 to 3 months RM'000	More than 3 months RM'000	Total RM'000	0 to 6 months RM'000	7 to 12 months RM'000	More than 12 months RM'000	Total RM'000
2022								
ECL rate	0.04%	1.34%	100.00%		1.38%	21.11%	100.00%	
Carrying amount *	2,115	21	25	2,161	11,365	621	555	12,541
Allowance for ECL	1	-	25	26	156	131	555	842
2021								
ECL rate	0.10%	3.05%	100.00%		0.56%	10.06%	100.00%	
Carrying amount *	2,589	197	62	2,848	20,199	656	585	21,440
Allowance for ECL	3	6	62	71	113	66	585	764

Group 1 comprises of insurance receivables from agents, banks, corporate clients and direct customers, whereas Group 2 comprises of reinsurance receivables from reinsurers and ceding companies, amount due from brokers and co-insurers.

* The carrying amount consists of individual insurance receivables with gross outstanding amounts, as well as outstanding receivable balances that were netted off with credit balances.

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Insurance receivables - Reconciliation of allowance account (Cont'd.)

Expected credit loss (Cont'd.)

Set out below is the information about the credit risk exposure on the Company's insurance receivables using a provision matrix: (Cont'd.)

(b) ECL by ageing

	Months in arrears						
	Not due RM'000	1 to 6 months RM'000	7 to 12 months RM'000	13 to 18 months RM'000	19 to 24 months RM'000	More than 24 months RM'000	Total RM'000
2022							
Carrying amount *	-	13,526	621	555	-	-	14,702
Allowance for ECL	-	182	131	555	-	-	868
2021							
Carrying amount *	-	23,047	656	585	-	-	24,288
Allowance for ECL	-	184	66	585	-	-	835

* The carrying amount consists of individual insurance receivables with gross outstanding amounts, as well as outstanding receivable balances that were netted off with credit balances.

39. FINANCIAL RISKS (CONT'D.)

(a) Credit risk (Cont'd.)

Insurance receivables - Reconciliation of allowance account (Cont'd.)

Expected credit loss (Cont'd.)

The following table shows the movement in gross insurance receivables and the loss allowances recognised for credit impaired receivables.

	Not credit impaired	Credit impaired	Total
	RM'000	RM'000	RM'000
2022			
Gross carrying amounts			
As at 1 October 2021	23,642	646	24,288
Decrease	(9,519)	(67)	(9,586)
As at 30 September 2022	14,123	579	14,702
Allowance for ECL			
As at 1 October 2021	189	646	835
Increase/(Write back)	100	(67)	33
As at 30 September 2022	289	579	868
2021			
Gross carrying amounts			
As at 1 October 2020	17,824	876	18,700
Increase/(Decrease)	5,818	(230)	5,588
As at 30 September 2021	23,642	646	24,288
Allowance for ECL			
As at 1 October 2020	169	876	1,045
Increase/(Write back)	20	(230)	(210)
As at 30 September 2021	189	646	835

39. FINANCIAL RISKS (CONT'D.)

(b) Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Company is established. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Risk Management Committee;

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are implemented in order to ensure sufficient funding is available to meet insurance, investment contract and other payment obligations. As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows;

- Contingency funding plans are established to mitigate funding requirements arising from emergency and other unforeseen cash calls. Such funding plans include the arrangement of credit line with banks and funding from the holding company; and

- The Company has entered into treaty reinsurance contracts that contain a "cash call" clause which permits the Company to make cash call on claims and receive immediate payments for large losses without waiting for usual periodic payment procedures to occur.

39. FINANCIAL RISKS (CONT'D.)

(b) Liquidity risk (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the financial and insurance liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as these are not contractual obligations.

	Carrying value RM'000	Up to a year* RM'000	1 - 2 years RM'000	2 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	Total RM'000
2022							
Insurance contract liabilities	438,892	190,669	107,423	119,891	32,082	137	450,202
Insurance payables	16,336	16,336	-	-	-	-	16,336
Lease liabilities	3,676	1,776	1,234	752	217	-	3,979
Other payables (net of provisions and accrued expenses)	1,889	1,889	-	-	-	-	1,889
Total liabilities	460,793	210,670	108,657	120,643	32,299	137	472,406
2021							
Insurance contract liabilities	432,182	167,138	102,042	121,934	50,045	92	441,251
Insurance payables	23,788	23,788	-	-	-	-	23,788
Lease liabilities	4,386	2,517	1,052	1,164	-	-	4,733
Borrowings	69,790	73,928	-	-	-	-	73,928
Other payables (net of provisions and accrued expenses)	3,414	3,414	-	-	-	-	3,414
Total liabilities	533,560	270,785	103,094	123,098	50,045	92	547,114

* Expected settlement is within 12 months from the reporting date.

39. FINANCIAL RISKS (CONT'D.)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures: foreign exchange rates ("currency risk"), market interest rates ("interest rate/profit yield risk") and market prices ("price risk").

The key features of the Company's market risk management practices and policies are as follows:

- A Company wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Company is established; and

- Policies and limits have been established to manage market risk. Market risk is managed through portfolio diversification and changes in asset allocation. The Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's functional and presentation currency is Malaysian Ringgit. The Company's main foreign exchange risk arises from its reinsurance activities and overseas claims settlements which are normally settled and realised within 12 months and accordingly the impact arising from sensitivity in changes in foreign exchange rates is not expected to be significant.

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate risk.

The Company is exposed to interest rate risk primarily through its investments in fixed income securities and deposits placements. Interest rate risk is managed by the Company on an ongoing basis.

The Company has no significant concentration of interest rate risk.

39. FINANCIAL RISKS (CONT'D.)

(c) Market risk (Cont'd.)

(ii) Interest rate risk (Cont'd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity.

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

		2022		2021	
	Changes in basis points	Impact on profit before tax RM'000	* Effect on equity RM'000	Impact on profit before tax RM'000	* Effect on equity RM'000
		Increase/(Decrease)			
Interest rates	+25 bps	(656)	(499)	(696)	(529)
Interest rates	-25 bps	666	506	708	538

* Impact is net of tax of 24% (2021: 24%)

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk) and net asset value ("NAV"), regardless whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market.

The Company's exposure to price risk arises mainly from its investments in quoted shares, unit trusts and warrants whose values will fluctuate as a result of changes in market prices.

The Company manages its price risk by ensuring that its investments in quoted shares, unit trusts and warrants are within the limits set out in the Company's Investment Policy. The company does not have any major concentration of price risk related to such investments.

39. FINANCIAL RISKS (CONT'D.)

(c) Market risk (Cont'd.)

(iii) Price risk (Cont'd.)

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax (due to changes in fair value through profit or loss financial assets) and equity (due to changes in fair value of FVOCI).

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

		2022		2021	
	Changes in variables	Impact on profit before tax RM'000	* Effect on equity RM'000	Impact on profit before tax RM'000	* Effect on equity RM'000
		Increase/(Decrease)			
Market price / NAV	+ 10%	26,539	20,954	37,027	30,733
Market price / NAV	- 10%	(26,539)	(20,954)	(37,027)	(30,733)

*Impact on equity reflects adjustments for tax, where applicable.

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

40. REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Minister of Finance as a licensing condition for insurers. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at reporting date, as prescribed under the RBC Framework is provided below:

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Retained profits	112,317	93,714
	212,317	193,714
Tier 2 Capital		
Revaluation reserve	14,332	13,972
FVOCI reserve	3,709	21,148
Capital instruments which qualify as Tier 2 Capital	-	10,468
	18,041	45,588
Amounts deducted from Capital	(1,342)	(1,723)
Total Capital Available	229,016	237,579

41. FAIR VALUE

(a) The financial instruments measured at fair value on a recurring basis are categorised into the following levels of the fair value hierarchy:

	Date of Valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022					
Financial assets at FVTPL					
Quoted shares	30 Sep 2022	14,501	-	-	14,501
Unit trusts	30 Sep 2022	245,447	-	-	245,447
Warrants	30 Sep 2022	5,445	-	-	5,445
		265,393	-	-	265,393
Financial assets at FVOCI					
Quoted shares	30 Sep 2022	10,313	-	-	10,313
Corporate debt securities	30 Sep 2022	-	71,525	-	71,525
		10,313	71,525	-	81,838
2021					
Financial assets at FVTPL					
Quoted shares	30 Sep 2021	21,069	-	-	21,069
Unit trusts	30 Sep 2021	345,230	-	-	345,230
Warrants	30 Sep 2021	3,967	-	-	3,967
		370,266	-	-	370,266
Financial assets at FVOCI					
Quoted shares	30 Sep 2021	34,110	-	-	34,110
Corporate debt securities	30 Sep 2021	-	61,971	-	61,971
		34,110	61,971	-	96,081

(b) The carrying amounts of other financial assets approximated their fair values due to their relatively short-term nature and therefore no additional disclosure is provided.

(c) Except for lease liabilities which are determined by the present value of the estimated future lease payments, the carrying amounts of financial liabilities at the reporting date approximated their fair values due to their short-term nature and immaterial impact of discounting.

41. FAIR VALUE (CONT'D.)

(d) Determination of fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, deposits and placements with financial institutions, insurance receivables/payables, and other receivables/payables:

- The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments; and

- The carrying value of amount due from/to holding and fellow subsidiary companies approximate their fair values as the amounts are repayable in accordance with applicable terms.

(ii) Financial assets

- Quoted shares and warrants

  The fair values of quoted shares and warrants are determined by reference to the stock exchange quoted market closing prices at the close of the business at the reporting date.

- Unit trusts

  The fair value of quoted units in the unit trust funds are determined by reference to market quotations by the manager of the unit trust funds.

- Corporate debt securities

  Unquoted corporate debt/securities are valued using fair value prices quoted by a bond pricing agency.

(iii) Subordinated Notes

The fair value of Subordinated Notes is determined based on the present value of the estimated future cash flows at the end of the tenure of the Subordinated Notes.

The carrying amount of Subordinated Notes approximates its fair value, due to the insignificant impact of discounting.

(iv) Lease liabilities

The fair value of lease liabilities is determined by the present value of the estimated future lease payments to be made over the lease term.

41. FAIR VALUE (CONT'D.)

(e) Fair value of non-financial assets

The following table provides an analysis of assets measured and disclosed at fair value on a recurring basis in accordance with the fair value hierarchy:

	Date of Valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022					
Property, plant and equipment:					
Freehold land	30 Sep 2022	-	-	2,730	2,730
Freehold buildings	30 Sep 2022	-	-	850	850
Leasehold buildings	30 Sep 2022	-	-	14,040	14,040
		-	-	17,620	17,620
Investment properties:					
Freehold buildings	30 Sep 2022	-	-	640	640
		-	-	640	640
2021					
Property, plant and equipment:					
Freehold land	30 Sep 2021	-	-	2,670	2,670
Freehold buildings	30 Sep 2021	-	-	851	851
Leasehold buildings	30 Sep 2021	-	-	14,730	14,730
		-	-	18,251	18,251
Investment properties:					
Freehold buildings	30 Sep 2021	-	-	650	650
		-	-	650	650

41. FAIR VALUE (CONT'D.)

(e) Fair value of non-financial assets (Cont'd.)

The fair value of the property, plant and equipment and investment properties of the Company are categorised as Level 3. The properties and investment properties have been revalued based on valuations performed by an accredited independent valuer. The valuations are based on the comparison method. In arriving at the fair value of the assets, the valuer had taken into account the sales of similar properties and related market data, and established a fair value estimate using processes involving comparisons to recently transacted properties within close vicinity. In general, the properties being valued are compared with sales of similar properties that have been transacted in the open market. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and location) of the property used for comparison.

Description of significant unobservable input:

	Significant unobservable input	**Range**
	The comparison method used by the professional independent valuer included the following input:	
2022		
- Property, plant and equipment - Investment properties	- Adjusted sales price per square foot ("psf") of recently transacted properties within close vicinity	RM380-RM530 psf
2021		
- Property, plant and equipment - Investment properties	- Adjusted sales price per square foot ("psf") of recently transacted properties within close vicinity	RM380-RM520 psf

A significant change in the unobservable input above may have a significant impact on the fair value of the properties.

The movement from opening balances to closing balances during the respective financial years are provided in Notes 5 and 6.

There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy during the financial year.

42. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Disposal of ordinary shares of Ancom Nylex Berhad (formerly known as Ancom Berhad)

- Disposal during the financial year

The Company has disposed an aggregate of 9,570,000 ordinary shares of Ancom Nylex Berhad ("Ancom Shares"), for a total gross consideration of RM23,637,000 on Bursa Malaysia Securities Berhad ("Bursa Malaysia") via open market and direct business transactions from 27 October 2021 to 16 November 2021. Prior to the Disposal, the Ancom Shares were classified as financial assets at FVOCI and had been stated at fair value at each reporting date.

The fair value gains in respect of the disposal shares, that arose during the financial year and which was recognised in the statement of other comprehensive income up to the date of disposal, amounted to RM2,870,000 for the Company.

Arising from the disposal, the accumulated gain recognised in FVOCI reserve of the Company of RM15,894,000 in relation to this tranche of shares disposed has been transferred to retained profits during the financial year ended 30 September 2022.

- Disposal subsequent to the end of the financial year

Subsequent to the financial year end, the Company disposed an additional 6,000,000 ordinary shares of Ancom Shares, for total gross consideration of RM5,220,000 on Bursa Malaysia via direct business transactions from 17 November 2022 to 23 November 2022.

The fair value loss in respect of the disposed shares, that arose from the period subsequent to the financial year end to the date of this report and which was recognised in the statement of other comprehensive income up to date of disposal, amounted to RM480,000 for the Company.

Arising from the disposal, the accumulated gain recognised in FVOCI reserve of the Company of RM1,872,000 in relation to this tranche of shares disposed have been transferred to retained profits during the financial year ending 30 September 2023.

(b) Coronavirus ("COVID-19") Pandemic

The prolonged COVID-19 pandemic has continued to cause disruption to the businesses and economies globally. However, the Company was not adversely affected as its business operations were able to operate uninterrupted throughout the COVID-19 pandemic. Accordingly, the Company's financial statements for the financial year ended 30 September 2022 and 30 September 2021 have been prepared based on the application of the going concern assumption.