FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	135,375	137,646
Intangible assets	5	9,295	9,256
Right-of-use assets	6	6,567	6,659
Deferred tax asset	7	10,057	8,972
Other receivables	8	2,448	2,971
Other investments	9	55,030	24,675
		218,772	190,179
CURRENT ASSETS			
Other investments	9	803,926	980,124
Trade and other receivables	10	27,842	26,871
Cash and cash equivalents	11	175,765	83,134
		1,007,533	1,090,129
TOTAL ASSETS		1,226,305	1,280,308
RESERVES			
Compensation fund reserve	12	100,000	100,000
Accumulated surplus		887,941	906,276
TOTAL RESERVES		987,941	1,006,276
NON-CURRENT LIABILITIES			
Post-employment benefits	13	186,950	183,310
CURRENT LIABILITIES			
Tax payable		615	-
Other payables and accruals	14	50,799	90,722
		51,414	90,722
Total liabilities		238,364	274,032
Total reserves and liabilities		1,226,305	1,280,308

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
REVENUE			
Levies		138,172	243,105
Fees and charges		19,801	16,939
License fees		2,008	2,908
Finance income		26,646	25,813
Registration fees		3,104	3,060
Other income		36,426	16,683
	15	226,157	308,508
Less: Expenditure			
Staff costs	16	192,416	178,539
Administrative expenses		33,175	26,434
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92
Rental expense		525	522
		237,809	217,189
NET OPERATING (DEFICIT)/SURPLUS		(11,652)	91,319
Less: Funds to affiliates	17	(9,020)	(7,600)
(Deficit)/Surplus before tax for the year	18	(20,672)	83,719
Taxation	19	(4,632)	8,972
(Deficit)/Surplus after tax for the year		(25,304)	92,691
Other comprehensive gain/(loss): Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	20	6,969	(34,865)
Total comprehensive (loss)/income for the year		(18,335)	57,826

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2021	100,000	848,450	948,450
Surplus for the year	-	92,691	92,691
Remeasurement of defined benefit liability	-	(34,865)	(34,865)
Surplus and total comprehensive income for the year	-	57,826	57,826
At 31 December 2021/1 January 2022	100,000	906,276	1,006,276
Deficit for the year	-	(25,304)	(25,304)
Remeasurement of defined benefit liability	-	6,969	6,969
Deficit and total comprehensive loss for the year		(18,335)	(18,335)
At 31 December 2022	100,000	887,941	987,941
	Note 12		

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus before tax		(20,672)	83,719
Adjustments for:			
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92
Amortisation of deferred income		-	(704)
Finance income		(26,646)	(25,813)
Current service cost and interest expense on post-employment benefit	13	13,768	10,805
OPERATING (DEFICIT)/SURPLUS BEFORE WORKING CAPITAL CHANGES		(21,857)	79,701
Changes in working capital:			
Trade and other receivables		(377)	24,481
Other payables and accruals		(39,923)	12,466
CASH (USED IN)/GENERATED FROM OPERATION		(62,157)	116,648
Tax paid		(5,102)	-
Benefit payout from post-employment benefit	13	(3,159)	(2,776)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(70,418)	113,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in investments in Malaysian Government Securities and Government Guaranteed Bonds		10,212	55,376
Movement in deposits placed with licensed banks		135,631	(196,519)
Finance income received		26,575	26,583
Proceeds from disposal of plant and equipment		6	1
Acquisition of property, plant and equipment	4	(6,135)	(1,155)
Acquisition of intangible assets	5	(3,240)	(5,673)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES		163,049	(121,387)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		92,631	(7,515)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		83,134	90,649
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		175,765	83,134

The notes on pages 124 to 152 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Markets and Services Act 2007* (CMSA). The address of the SC is at:

3, Persiaran Bukit Kiara,
Bukit Kiara,
50490 Kuala Lumpur, Malaysia.

These financial statements were authorised for issue by the Board Members on 7 February 2023.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the SC have been prepared in accordance with *Malaysian Financial Reporting Standards* (MFRS), and *International Financial Reporting Standards* (IFRS).

(i) Amendments to published standards that are effective

The SC has applied the following amendments to published standards and annual improvements for the first time for the financial year beginning on 1 January 2022:

– Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
– Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
– Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
– Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
– Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The adoption of these amendments to published standards did not have any material impact on the current period or any prior period and is not likely to affect future periods.

(ii) Amendments to published standards that have been issued but not yet effective

New amendments to published standards and annual improvements that are effective for financial year beginning after 1 January 2022 are set out below:

– Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

– Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) clarifies the seller-lessee shall determine the 'lease payments' or 'revised lease payments' in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

  The amendments shall be applied retrospectively.

These amendments to published standards and annual improvements will be adopted on the respective effective dates. The SC has started a preliminary assessment on the effects of the above amendments to published standards and annual improvements and the impact is still being assessed.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the SC's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Post-employment benefits

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, medical inflation rate and life expectancy. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision are as disclosed in Note 13.

(ii) Deferred tax asset recognition

Deferred tax asset recoverability is assessed using the estimated future taxable income based on the approved financial projection, of which involves assumptions and judgement regarding the future financial performance of the SC in which the deferred tax asset has been recognised. The tax losses brought forward will expire in 2028.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

<u>Financial assets</u>

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the SC changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

<u>Amortised cost</u>

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(f)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance cost is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) 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 are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the SC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts, if any, of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within 'other income' or 'other expenses' respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative year are as follows:

Buildings	50 years
Office equipment, furniture and fittings	5 - 10 years
Computer and application systems	3 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(c) Intangible assets

(i) Computer software

Computer software is initially measured at cost. Costs recognised are costs (including staff costs) directly associated with identifiable software controlled by the SC that will generate probable future economic benefits. Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of computer software are assessed to be finite. Computer software is amortised over their estimated useful lives of three years and assessed for impairment whenever there is an indication that they may be impaired.

The amortisation periods and methods are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation periods or methods, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss. Projects-in-progress are not amortised as these computer softwares are not yet available for use.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the SC assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- as a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- as a lessee, it has the right to direct the use of the asset. The SC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the SC has the right to direct the use of the asset if either the SC has the right to operate the asset; or the SC designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the SC allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the SC is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The SC has classified leasehold land which in substance was a finance lease as right-of-use assets.

The SC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The SC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the SC in the management of their short term commitments.

Included in the deposits with licensed banks are reserved deposits amounts held on behalf of stockbroking industry development, brokers' security deposits and government agencies or funds.

(f) Impairment

(i) Financial assets

The SC recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The SC measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the SC considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the SC's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SC is exposed to credit risk.

The SC estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the SC assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the SC determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the SC's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third party. The SC recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The SC transfers control of a good or service at a point in time unless one of the following over-time criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided as the SC performs;

(b) The SC's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) The SC's performance does not create an asset with an alternative use and the SC has an enforceable right to payment for performance completed to date.

(ii) Levies

Levies as a percentage of the consideration for every purchase and sale of securities recorded on Bursa Malaysia Securities Bhd (Bursa Malaysia) in respect of different classes of securities as specified in Section 24 of the SCMA and the *Securities Commission (Levy on Securities Transactions) (Amendment) Order 2009*.

The SC recognises levies from Bursa Malaysia as income at point in time on an accrual basis.

(iii) Fees and charges

The SC records fees and charges as income over time when the services are performed. The SC records the fees and charges received in advance as a liability.

(iv) Registration fees

Registration fees are recognised at a point in time upon registration of auditors.

(v) License fees

License fees are recognised as income as the services are performed over time. The SC records the license fees received in advance as a liability.

(vi) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss. It comprises (a) interest earned on bank deposits and debt securities; and (b) the amortisation of premiums or discounts on purchases of debt securities measured at amortised cost.

(vii) Other income

Included in other income are:

- Penalty income on auditors for failing to comply any provisions or condition imposed under Part IIIA – Audit Oversight Board of the SCMA. Penalty income is recognised at a point in time pursuant to Section 31Z of SCMA. The penalty amount is restricted and shall be utilised for planning and implementing capacity building programmes in relation to the accounting and auditing profession.

- Recovery of investigation and proceeding costs that is recognised at a point in time. According to Section 200 and 201 of the CMSA, the SC can recover an amount from person who has contravened Section 175, 176, 177, 178, 179 and 181 as well as 188 of the CMSA where any amount recovered by the SC can be firstly reimburse to the SC for all costs of the investigation and proceedings in respect of the contravention.

- Residual sum that is recognised at a point in time where Section 200 and 201 of the CMSA states that to the extent that any amount obtained has not been distributed to persons who have suffered loss or damage as a result of the contravention, such sum shall either be paid to the Capital Market Compensation Fund or retained by the SC to defray the cost of developing and facilitating educational programmes for capital market investors and professionals or the cost of regulating the capital market, with the approval of the Finance Minister.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave, contribution to social security contributions (SOCSO), Employees Provident Fund (EPF) or PRS are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the SC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

Post-employment benefits

The SC provides post-employment medical coverage to eligible employees engaged prior to 1 January 2003.

The SC's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the SC, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net finance cost or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Costs and expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The SC recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(i) Deferred taxes

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Funds to affiliates

The SC provides funds to eligible affiliates to undertake capital market activities. These funds are recognised in profit or loss when payments have been made.

(k) Contingencies

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the SC, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the SC or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

(l) Provisions

Provisions are recognised when the SC has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

(m) Fair value measurement

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the SC uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the SC can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The SC recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application systems RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost						
At 1 January 2021	232,162	119,887	46,203	1,753	1,309	401,314
Additions	-	630	349	-	176	1,155
Disposals	-	(6)	(5)	-	-	(11)
Transfer to/(from)	-	-	218	-	(218)	-
At 31 December 2021/1 January 2022	232,162	120,511	46,765	1,753	1,267	402,458
Additions	-	434	1,159	-	4,542	6,135
Disposals	-	(17)	(40)	-	-	(57)
Transfer to/(from)	-	4,542	-	-	(4,542)	-
At 31 December 2022	232,162	125,470	47,884	1,753	1,267	408,536
Less: Accumulated depreciation						
At 1 January 2021						
Accumulated depreciation	99,926	110,456	44,173	1,667	-	256,222
Accumulated impairment loss	109	-	-	-	-	109
	100,035	110,456	44,173	1,667	-	256,331
Depreciation for the year	4,643	2,606	1,198	44	-	8,491
Disposals	-	(5)	(5)	-	-	(10)
At 31 December 2021/1 January 2022						
Accumulated depreciation	104,569	113,057	45,366	1,711	-	264,703
Accumulated impairment loss	109	-	-	-	-	109
	104,678	113,057	45,366	1,711	-	264,812
Depreciation for the year	4,643	2,613	1,118	26	-	8,400
Disposals	-	(12)	(39)	-	-	(51)
At 31 December 2022						
Accumulated depreciation	109,212	115,658	46,445	1,737	-	273,052
Accumulated impairment loss	109	-	-	-	-	109
	109,321	115,658	46,445	1,737	-	273,161
Carrying amounts						
At 1 January 2021	132,127	9,431	2,030	86	1,309	144,983
At 31 December 2021/1 January 2022	127,484	7,454	1,399	42	1,267	137,646
At 31 December 2022	122,841	9,812	1,439	16	1,267	135,375

5. INTANGIBLE ASSETS

	Computer Softwares RM'000	Capital work-in progress RM'000	Total RM'000
Cost			
At 1 January 2021	37,435	2,017	39,452
Additions	361	5,312	5,673
Transfer to/(from)	4,257	(4,257)	-
At 31 December 2021/1 January 2022	42,053	3,072	45,125
Additions	109	3,131	3,240
Transfer to/(from)	2,978	(2,978)	-
At 31 December 2022	45,140	3,225	48,365
Less: Accumulated amortisation			
At 1 January 2021	32,758	-	32,758
Amortisation for the year	3,111	-	3,111
At 31 December 2021/1 January 2022	35,869	-	35,869
Amortisation for the year	3,201	-	3,201
At 31 December 2022	39,070	-	39,070
Carrying amounts			
At 1 January 2021	4,677	2,017	6,694
At 31 December 2021/1 January 2022	6,184	3,072	9,256
At 31 December 2022	6,070	3,225	9,295

6. RIGHT-OF-USE ASSETS

	Leasehold land RM'000
At 1 January 2021	6,751
Depreciation	(92)
At 31 December 2021/1 January 2022	6,659
Depreciation	(92)
At 31 December 2022	6,567

The SC leases two leasehold land for 99 years which expire in 2094 and 2096, respectively.

7. DEFERRED TAX ASSET

Deferred tax asset is offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when the deferred taxes relate to the same tax authority.

With effect from YA 2022, the SC is subjected to tax at a rate of 24% under the requirements of *Income Tax Act 1967*. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the tax losses and unutilised capital allowance can be utilised. When it is probable that the tax losses will not be utilised upon its expiry date, deferred tax asset recognised will be derecognised.

	2022 RM'000	2021 RM'000
Deferred tax assets	10,057	8,972
At 1 January	8,972	-
Recognised in statement of comprehensive income (Note 19)		
– property, plant and equipment	2,163	6,318
– tax losses	(2,654)	2,654
– provisions	1,576	-
	1,085	8,972
At 31 December	10,057	8,972
Subject to income tax:		
Deferred tax assets		
– property, plant and equipment	8,481	6,318
– tax losses	-	2,654
– provisions	1,576	-
	10,057	8,972

The amounts of unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position are as follows:

	2022 RM'000	2021 RM'000
Unutilised tax losses	11,060	-
Deferred tax assets not recognised at 24% (2021:24%)	2,654	-

The unutilised tax losses of RM11.1 million (2021: RM11.1 million) which will expire in the following year:

	2022 RM'000	2021 RM'000
Financial year		
2028	11,060	11,060

8. OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Staff financing	3,513	4,441
Less: Unearned profit		
- Islamic financing on housing and motor vehicles	(111)	(155)
	3,402	4,286
Less: Amount due within 12 months (Note 10)	(954)	(1,315)
Amount due after 12 months	2,448	2,971

The rates and tenure of staff financing are as follow:

	Rate charged (per annum)	Maximum repayable period
Islamic financing and conventional housing loans	2%	25 years
Islamic financing and conventional motor vehicle loans	4%	7 years
Study loans	-	5 years
Computer loans	-	4 years

The Islamic and conventional housing and motor vehicle financing are secured over the properties and motor vehicles of the borrowers, respectively.

The maturity structure of the financing to staff as at the end of the financial year is as follows:

	2022 RM'000	2021 RM'000
Within 1 year	954	1,315
More than 1 year and up to 5 years	1,878	2,273
More than 5 years	570	698
	3,402	4,286

9. OTHER INVESTMENTS

	Non-current		Current		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortised costs:						
– Malaysian Government Securities and Government Guaranteed Bonds	55,030	5,175	10,000	70,067	65,030	75,242
– Deposits placed with licensed banks	-	19,500	793,926	910,057	793,926	929,557
	55,030	24,675	803,926	980,124	858,956	1,004,799

Included in deposits placed with licensed banks is amount reserved for planning and implementing capacity building programmes in relation to the accounting and auditing profession of RM2.9 million (2021: RM2.1 million) and amounts reserved for stockbroking industry development of RMnil (2021: RM14.9 million).

Malaysian Government Securities and Government Guaranteed Bonds will mature in 2023 and 2038. The weighted average yield to maturity of Malaysian Government Securities and Government Guaranteed Bonds was 3.69% per annum (2021: 3.80% per annum).

Deposits placed with licensed banks have maturity period of 6 months and 15 months (2021: 12 months and 15 months) and earned income at rates ranging from 2.35% to 3.80% per annum (2021: 2.20% to 3.80% per annum).

10. TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Levies	13,430	13,450
Finance income receivable	8,863	8,792
Other receivables	1,652	526
Deposit	145	145
Prepayments	2,798	2,643
Short-term staff financing (Note 8)	954	1,315
	27,842	26,871

11. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Cash and bank balances	21,006	25,247
Deposits placed with licensed banks	154,759	57,887
	175,765	83,134

Deposits placed with licensed banks have maturity period of 1 month and 3 months (2021: 1 month) and earned income at rates ranging from 2.45% to 3.20% per annum (2021: 1.50% to 1.70% per annum).

Included in deposits placed with licensed banks are amounts reserved for stockbroking industry development of RM15.2 million (2021: RMnil), amounts reserved for brokers' security deposits of RM0.2 million (2021: RM0.2 million) and amount held on behalf of government agencies or funds of approximately RM28.5 million (2021: RM57.3 million).

The bank balances are placed with licensed banks.

12. COMPENSATION FUND RESERVE

This represents an amount allocated from the accumulated surplus for the Capital Market Compensation Fund Corporation.

13. POST-EMPLOYMENT BENEFITS

The defined benefit plan is an unfunded post-employment medical plan, which provides medical benefits for participants and their eligible dependants after retirement age until the death of the participant or spouse, or for child dependants up to age 18 or age 24, if they are still studying.

As such, the ultimate cost of the plan depends on the longevity of the retirees and their eligible dependants, the incidence and cost of events resulting in claims under the plan, and the inflation of such costs in the future.

Funding

The plan is unfunded. Employer contributions to the plan refer to the medical claim amounts paid directly by the SC. The SC expects to pay approximately RM3.35 million in contributions to its defined benefit plan in 2023.

Movement in net defined benefit liability

	2022 RM'000	2021 RM'000
Net defined benefit liability at 1 January	183,310	140,416
Included in profit or loss		
Current service cost	4,315	3,981
Interest expense	9,453	6,824
	13,768	10,805
Others		
Benefits paid	(3,159)	(2,776)
Remeasurement of defined benefit liability	(6,969)	34,865
Net defined benefit liability at 31 December	186,950	183,310

Defined benefit obligation actuarial assumptions

Principal actuarial assumptions at the end of reporting period (expressed as weighted averages):

	2022	2021
Discount rate	5.8%	5.2%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 6% in 4 years
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 19 years (2021: 20 years).

Sensitivity analysis

The sensitivity analyses are based on a change in a significant assumption while holding all other assumptions constant. The sensitivities have been assessed by:

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2022		
Discount rate (1% movement)	(29,351)	37,390
Medical cost inflation rate (1% movement)	35,521	(28,603)
2021		
Discount rate (1% movement)	(29,513)	37,945
Medical cost inflation rate (1% movement)	36,112	(28,780)

14. OTHER PAYABLES AND ACCRUALS

	2022 RM'000	2021 RM'000
Other payables	41,363	80,147
Prepaid		
– Fees and charges	1,336	4,723
– License fees	2,028	622
– Registration fee	336	440
– Others	33	210
Accruals	5,463	4,266
Brokers' security deposits	240	314
	50,799	90,722

15. REVENUE

	Note	2022 RM'000	2021 RM'000
Revenue	15.1	163,085	266,012
Other income			
– finance		26,646	25,813
– others	15.2	36,426	16,683
		63,072	42,496
Total revenue		226,157	308,508

15.1 Nature of revenue

The following information reflects the transactions of the SC:

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Levies	30 days	Revenue is derived from Malaysia and recognised at a point in time.
Fees and charges	Not applicable	Revenue is derived from Malaysia and recognised over time.
License fees	Not applicable	Revenue is derived from Malaysia and recognised over time.
Registration fees	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.

15.2 The nature of other income

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Penalty income	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Recovery of investigation and proceeding costs	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Residual sum	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.

16. STAFF COSTS

	2022 RM'000	2021 RM'000
Remuneration, bonus, staff medical, staff training and overtime	154,327	145,360
Defined contribution plan	20,389	19,153
Other employees benefits	3,932	3,221
Post-employment benefits	13,768	10,805
	192,416	178,539

17. FUNDS TO AFFILIATES

The SC provides funds to various entities involved in projects and programmes that develop, promote and enhance the well-being of the Malaysian capital market.

18. (DEFICIT)/SURPLUS BEFORE TAX

	Note	2022 RM'000	2021 RM'000
(Deficit)/Surplus before tax is arrived at after charging/(crediting):			
Auditors' remuneration		163	135
Executive members' emoluments		5,486	5,465
Non-executive members' allowance		1,162	1,026
Rental expense:			
Property		291	288
Plant and equipment		234	234
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92

19. TAXATION

	2022 RM'000	2021 RM'000
Current tax (expense)/credit:		
– in respect of current financial year	(5,717)	-
Deferred taxation (Note 7)	1,085	8,972
	(4,632)	8,972

The explanation and the relationship between taxation and (deficit)/surplus before tax is as follows:

	2022 RM'000	2021 RM'000
(Deficit)/ Surplus before tax	(20,672)	83,719
Tax calculated at the Malaysian tax rate of 24% (2021: 0%)	4,961	-
Tax effects of:		
– expenses not deductible for tax purposes	(7,785)	-
– income not subject to tax	16	-
– recognition of previously unrecognised deferred tax assets	830	8,972
– reversal of deferred tax assets on unutilised tax losses	(2,654)	-
Taxation	(4,632)	8,972

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 until YA 2021. With effect from YA 2022, the SC is subjected to tax rate of 24% under the requirements of *Income Tax Act 1967.*

20. OTHER COMPREHENSIVE GAIN/(LOSS)

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2022			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	6,969	-	6,969
2021			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(34,865)	-	(34,865)

21. RELATED PARTIES

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SC either directly or indirectly. The remuneration of the key management personnel is disclosed in Note 18 under the heading of 'Executive members' emoluments'.

21.1 The SC has related-party relationship with Securities Industry Development Corporation (SIDC), as the Chairman of the SC is also the Chairperson of SIDC.

Significant related-party transactions

The significant related-party transactions with SIDC is shown below:

	2022 RM'000	2021 RM'000
Funding to SIDC	4,000	3,500

21.2 The SC has a related-party relationship with the Capital Market Compensation Fund Corporation (the CMC) as CMC was established under the CMSA, the SC may provide monies to the CMC as stated in Section 159(a) of CMSA, the CMC is required to consult the SC where there is an event of default of the Relevant Persons, the CMC is required to submit its annual regulatory report and audited financial statements to the SC as required by the provision of CMSA, and one of the CMC Board Members is also a member of the Senior Management in the SC.

Significant related-party transactions

The significant related-party transactions with the CMC is shown below:

	2022 RM'000	2021 RM'000
Management fee paid by the CMC	158	158

21.3 The SC has a related party relationship with the Capital Markets Promotion Council (CMPC), as a Director of the CMPC was also the Deputy Chief Executive of the SC.

Significant related-party transactions

The significant related-party transaction with the CMPC is shown below:

	2022 RM'000	2021 RM'000
Funding to the CMPC	600	-

21.4 The SC has a related-party relationship with the IOSCO Asia Pacific Hub (the Hub), as the two Directors of the Hub are also members of the Senior Management in the SC.

Significant related-party transactions

The significant related-party transaction with the Hub is shown below:

	2022 RM'000	2021 RM'000
Funding to the Hub	320	-

22. CAPITAL COMMITMENTS

	2022 RM'000	2021 RM'000
Capital expenditure commitments		
Plant and equipment		
Approved but not contracted for:		
Within one year	54,300	37,630
Within two – three years	55,050	-

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised costs (AC).

	Carrying amount RM'000	AC RM'000
2022		
Financial assets		
Other receivables – long term	2,448	2,448
Other investments	858,956	858,956
Trade and other receivables*	24,899	24,899
Cash and cash equivalents	175,765	175,765
	1,062,068	1,062,068
Financial liabilities		
Other payables and accruals*	(47,066)	(47,066)
2021		
Financial assets		
Other receivables – long term	2,971	2,971
Other investments	1,004,799	1,004,799
Trade and other receivables*	24,083	24,083
Cash and cash equivalents	83,134	83,134
	1,114,987	1,114,987
Financial liabilities		
Other payables and accruals*	(84,727)	(84,727)

* Exclude non-financial instruments

23.2 Financial risk management

The SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the fund. The SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.3 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

In managing credit risk of receivables, the SC manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, receivables will be collected within 30 days.

Recognition and measurement of impairment loss

The SC uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2022.

	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Not past due	24,899	-	24,899
2021			
Not past due	24,083	-	24,083

Receivables that are not past due and has not recognised any loss allowance comprise receivables from:

(a) Bursa Malaysia which has no history of default and has been remitting levies to the SC within the stipulated timeframe;

(b) Financial institutions and debt issuers who have no history of default; and

(c) Staff financing who are supported by collateral in the form of residential properties with respective fair value exceeding its outstanding debts. The fair values of these collateralised properties are determined using the comparison method based on professional valuation.

Cash and cash equivalents

The cash and cash equivalents are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks and financial institutions have low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the SC is of the view that the loss allowance is not material and hence, it is not provided for.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

The SC's investments are mainly in fixed deposits with approved financial institutions and bonds issued by the Government and other government agencies. The SC can also engage approved financial institutions to manage fixed income related securities with ratings A and above.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the SC has only invested in Malaysian Government Securities and Government Guaranteed Bonds. As these investments are liquid and with counterparties that have credit rating that are sovereign or near sovereign, the credit risk is low. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

23.4 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period. There is no contractual interest rate for other payables and accruals.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
2022			
Financial liabilities			
Other payables and accruals*	47,066	47,066	47,066
2021			
Financial liabilities			
Other payables and accruals*	84,727	84,727	84,727

* Exclude non-financial instruments

23.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates, that will affect the SC's financial position or cash flows.

23.5.1 Interest rate risk

The interest rate profile of the SC's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2022 RM'000	2021 RM'000
Fixed rate instruments		
Financial assets	1,013,715	1,062,686

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The SC does not have any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

23.6 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of fixed deposits is assumed to reasonably approximate their fair values.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2022					
Current					
Financial assets					
Malaysian Government Securities and Government Guaranteed Bonds	-	9,985	-	9,985	10,000
	-	9,985	-	9,985	10,000
Non-current					
Financial assets					
Long-term receivables	-	-	2,448	2,448	2,448
Malaysian Government Securities and Government Guaranteed Bonds	-	20,756	35,000	55,756	55,030
	-	20,756	37,448	58,204	57,478

	Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2021					
Current					
Financial assets					
Malaysian Government Securities and Government Guaranteed Bonds	71,012	-	-	71,012	70,067
	71,012	-	-	71,012	70,067
Non-current					
Financial assets					
Long-term receivables	-	-	2,971	2,971	2,971
Malaysian Government Securities and Government Guaranteed Bonds	-	5,190	-	5,190	5,175
	-	5,190	2,971	8,161	8,146

Level 1 fair value

Level 1 fair value is derived from unadjusted quoted price in active markets for identical financial assets that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Long-term receivables	Discounted cash flows using a rate based on the current market rate of borrowing.

24. RESERVES MANAGEMENT

The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. Management monitors the long-term capital commitments to ensure that sufficient funds are available to meet the obligations. The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

25. COMPARATIVE FIGURE

(a) Effects of the adoption of the 'IFRIC Agenda Decision on IAS 7 Statement of Cash Flows' (Agenda Decision)

In April 2022, the IFRS Interpretation Committee issued the final agenda decision on demand deposits with restrictions on use arising from a contract with a third party. Based on the Agenda Decision, the restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7.

The SC updated the presentation of the restricted deposit in the Statement of Cash Flow and included restricted deposits as a component of cash and cash equivalents.

(b) During the financial year, the SC updated the presentation of property, plant and equipment and intangible assets in the Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow to conform with the current year's presentation.

The effects of the reclassification and the adoption of the Agenda Decision on the Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow are shown below:

	As previously reported RM'000	Reclassification RM'000	After reclassification RM'000
Impact on Statement of Financial Position:			
As at 1 January 2021			
Non-current Assets:			
Property, Plant and Equipment	151,677	(6,694)	144,983
Intangible assets	-	6,694	6,694
As at 31 December 2021			
Non-current Assets:			
Property, Plant and Equipment	146,902	(9,256)	137,646
Intangible assets	-	9,256	9,256
Impact on Statement of Comprehensive Income:			
As at 31 December 2021			
Expenditure:			
Depreciation of property, plant and equipment for the year	11,602	(3,111)	8,491
Amortisation of intangible assets for the year	-	3,111	3,111

	As previously reported RM'000	Adoption of Agenda Decision RM'000	Reclassification RM'000	After reclassification RM'000
Impact on Statement of Cash Flow:				
As at 31 December 2021				
CASH FLOW FROM OPERATING ACTIVITIES				
Adjustments for:				
Depreciation of property, plant and equipment	11,602	-	(3,111)	8,491
Amortisation of intangible assets	-	-	3,111	3,111
As at 31 December 2021				
CASH FLOWS FROM INVESTING ACTIVITIES				
Movement in restricted deposits placed with licensed banks	(4,599)	4,599	-	-
Acquisition of property, plant and equipment	(6,828)	-	5,673	(1,155)
Acquisition of intangible asets	-	-	(5,673)	(5,673)
NET CASH USED IN INVESTING ACTIVITIES	(125,986)	4,599	-	(121,387)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(12,114)	4,599	-	(7,515)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	37,736	52,913	-	90,649
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,622	57,512	-	83,134
Cash and cash equivalents comprise:				
Cash and bank balances	25,247	-	-	25,247
Deposits placed with licensed bank	57,887	-	-	57,887
	83,134	-	-	83,134
Less: Restricted deposits	(57,512)	57,512	-	-
	25,622	57,512	-	83,134

STATEMENT BY BOARD MEMBERS

In the opinion of the Board Members, the financial statements set out on pages 120 to 152 are drawn up in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards* so as to give a true and fair view of the financial position of the Securities Commission Malaysia as of 31 December 2022 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:

AWANG ADEK HUSSIN
CHAIRMAN

WEE HOE SOON @ GOOI HOE SOON
MEMBER

Kuala Lumpur
7 February 2023

STATUTORY DECLARATION

I, **Nur Fatin binti Abdul Aziz**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 120 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960.*

NUR FATIN BINTI ABDUL AZIZ
OFFICER

Subscribed and solemnly declared by the abovenamed **Nur Fatin binti Abdul Aziz**, NRIC No. 770108 -14-5000, at Kuala Lumpur in the Federal Territory on 7 February 2023.

Before me:

PESURUHJAYA SUMPAH
W1007
SAIDATUL ASHIKIN BT
SEPIAN @ SOFFIAN
01 DEC 2022 – 31 DEC 2024
MALAYSIA

No. 23, 2nd Floor,
Jalan Medan Tuanku,
50300 Kuala Lumpur

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INDEPENDENT AUDITORS' REPORT
TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of the Securities Commission Malaysia (the SC) give a true and fair view of the financial position of the SC as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards*.

What we have audited

We have audited the financial statements of the SC, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 152.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the SC in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the *Malaysian Institute of Accountants (By-Laws)* and the International Ethics Standards Board for Accountants' *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.

Responsibilities of the Board Members for the financial statements

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

In preparing the financial statements of the SC, the Board Members are responsible for assessing the SC'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 Board Members either intend to liquidate the SC 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 SC 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.

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:

(a) Identify and assess the risks of material misstatement of the financial statements of the SC, 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.

(b) 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 SC's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.

(d) Conclude on the appropriateness of the Board Members' 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 SC'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 SC 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 SC to cease to continue as a going concern.

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

We communicate with the Board Members 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.

OTHER MATTERS

This report is made solely to the Board Members, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MAHESH A/L RAMESH
03428/04/2023 J
Chartered Accountant

Kuala Lumpur
7 February 2023