Company Registration No. 198905490E

Sompo Insurance Singapore Pte. Ltd.

Annual Financial Statements
31 December 2022

Building a better
working world

Sompo Insurance Singapore Pte. Ltd.

General information

Directors

Pui Phusangmook
Tetsuo Sugawara (Resigned on 31 December 2022)
Neo Daniel
Tan Chuan Lye
Gabriel Teo Chen Thye

Secretary

Lathika Devi Amma d/o K Radhakrishna Pillay

Registered Office

50 Raffles Place
#03-03 Singapore Land Tower
Singapore 048623

Auditor

Ernst & Young LLP

Index

The directors have pleasure in presenting their statement to the member together with the audited financial statements of Sompo Insurance Singapore Pte. Ltd. (the "Company") for the financial year ended 31 December 2022.

Opinion of the directors

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Pui Phusangmook
Neo Daniel
Tan Chuan Lye
Gabriel Teo Chen Thye

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the 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.

Directors' interests in shares and debentures

None of the directors who held office at the end of the financial year had any interests in shares, share options, warrants or debentures of the Company or any related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Pui Phusangmook
Director

Tan Chuan Lye
Director

Singapore
22 March 2023

Independent auditor's report to the member of Sompo Insurance Singapore Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sompo Insurance Singapore Pte Ltd (the "Company"), which comprise the balance sheet as at 31 December 2022, the statement of profit or loss, 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.

In our opinion, the accompanying financial statement of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the Directors' Statements included in pages 1 to 2.

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

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

Independent auditor's report to the member of Sompo Insurance Singapore Pte. Ltd.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 management.

- Conclude on the appropriateness of management's 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent auditor's report to the member of Sompo Insurance Singapore Pte. Ltd.

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

22 March 2023

Sompo Insurance Singapore Pte. Ltd.

Balance sheet
As at 31 December 2022

	Note	2022 $	2021 $
ASSETS			
Non-current assets			
Property and equipment	4	1,279,186	1,904,514
Right-of-use assets	18	2,770,453	4,448,033
Lease receivables	18	298,333	741,123
Intangible assets	5	3,980,926	4,238,627
Deferred tax assets	7	10,551,033	8,291,818
		18,879,931	19,624,115
Current assets			
Amount owing from holding companies (non-trade)	8	1,529,376	574,294
Amount owing from related companies (non-trade)	8	648,307	595,456
Prepayments		48,292	644,589
Trade debtors	9	33,261,734	30,850,167
Other debtors	10	2,211,685	2,962,143
Lease receivables	18	442,650	435,505
Available-for-sale financial assets	11	164,680,799	276,070,670
Cash, bank balances and deposits	12	98,322,452	96,946,316
		301,145,295	409,079,140
Reinsurers' share of technical reserves			
Premium liabilities	15(b)	36,215,342	34,858,509
Claims liabilities	15(a)	32,070,459	31,527,268
Deferred reinsurance commission	15(c)	(5,891,951)	(5,715,385)
		62,393,850	60,670,392
TOTAL ASSETS		382,419,076	489,373,647

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sompo Insurance Singapore Pte. Ltd.

Balance sheet
As at 31 December 2022

	Note	2022 $	2021 $
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	18	1,400,212	3,514,061
		1,400,212	3,514,061
Current liabilities			
Amount owing to holding companies (non-trade)	8	167,909	48,423
Amount owing to related companies (non-trade)	8	9,208	9,892
Trade creditors	13	32,523,753	27,648,489
Other creditors	14	19,731,026	18,893,059
Lease liabilities	18	2,120,505	2,186,990
		54,552,401	48,786,853
Technical reserves			
Premium liabilities	15(b)	84,818,173	81,402,245
Claims liabilities	15(a)	97,161,040	87,012,617
Deferred acquisition costs	15(c)	(10,897,064)	(11,048,392)
		171,082,149	157,366,470
Total liabilities		227,034,762	209,667,384
Shareholder's equity			
Share capital	16	158,327,805	278,327,805
Accumulated losses		(76,461,505)	(82,622,099)
Amalgamation reserve		81,608,762	81,608,762
Fair value adjustment reserves	17	(8,090,748)	2,391,795
Total equity		155,384,314	279,706,263
TOTAL EQUITY AND LIABILITIES		382,419,076	489,373,647

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sompo Insurance Singapore Pte. Ltd.

Statement of profit or loss
For the financial year ended 31 December 2022

	Note	2022 $	2021 $
Gross premiums written		157,332,841	141,489,370
Reinsurance premiums ceded		(70,899,569)	(63,450,988)
Net premiums written		86,433,272	78,038,382
Movement in net premium liabilities	15(b)	(2,059,095)	1,616,986
Net premiums earned		84,374,177	79,655,368
Gross claims paid		(72,721,553)	(72,082,960)
Reinsurance claims recoveries		42,812,651	35,893,589
Net claims paid	15(a)	(29,908,902)	(36,189,371)
Movement in net claims liabilities		(9,605,232)	1,404,962
Net claims incurred	15(a)	(39,514,134)	(34,784,409)
Gross commission expense		(24,484,789)	(23,774,595)
Reinsurance commission income		13,611,321	12,163,540
Net commission expenses		(10,873,468)	(11,611,055)
Movement in net deferred acquisition costs	15(c)	(327,894)	(1,237,574)
Net incurred commission expense		(11,201,362)	(12,848,629)
Operating and administrative expenses	19	(26,935,685)	(25,699,137)
Net underwriting profit		6,722,996	6,323,193
Net investment income	20	5,879,166	5,609,912
Other income	21	7,979,658	5,810,194
Other operating expenses	22	(9,939,767)	(7,700,490)
Profit before tax		10,642,053	10,042,809
Income tax credit	7	1,058,000	640,000
Profit after tax		11,700,053	10,682,809

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sompo Insurance Singapore Pte. Ltd.

Statement of comprehensive income
For the financial year ended 31 December 2022

	Note	2022 $	2021 $
Profit for the year		11,700,053	10,682,809
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value loss on available-for-sale financial assets	17	(10,482,543)	(3,512,082)
Other comprehensive income for the year, net of tax		(10,482,543)	(3,512,082)
Total comprehensive income for the year		1,217,510	7,170,727

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sompo Insurance Singapore Pte. Ltd.

Statement of changes in equity
For the financial year ended 31 December 2022

	Share capital (Note 16) $	Accumulated losses $	Amalgamation reserve $	Fair value adjustment reserves (Note 17) $	Total $
Balance at 1 January 2022	278,327,805	(82,622,099)	81,608,762	2,391,795	279,706,263
Profit after tax	–	11,700,053	–	–	11,700,053
Other comprehensive income for the year, net of tax	–	–	–	(10,482,543)	(10,482,543)
Total comprehensive income for the year	–	11,700,053	–	(10,482,543)	1,217,510
Dividend (Note 6)	–	(5,539,459)	–	–	(5,539,459)
Capital reduction	(120,000,000)	–	–	–	(120,000,000)
Balance at 31 December 2022	158,327,805	(76,461,505)	81,608,762	(8,090,748)	155,384,314
Balance at 1 January 2021	278,327,805	(88,205,108)	81,608,762	5,903,877	277,635,336
Profit after tax	–	10,682,809	–	–	10,682,809
Other comprehensive income for the year, net of tax	–	–	–	(3,512,082)	(3,512,082)
Total comprehensive income for the year	–	10,682,809	–	(3,512,082)	7,170,727
Dividend (Note 6)	–	(5,099,800)	–	–	(5,099,800)
Balance at 31 December 2021	278,327,805	(82,622,099)	81,608,762	2,391,795	279,706,263

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sompo Insurance Singapore Pte. Ltd.

Statement of cash flows
For the financial year ended 31 December 2022

	2022 $	2021 $
Cash flows from operating activities		
Profit before tax	10,642,053	10,042,809
Adjustments for:		
Depreciation of property and equipment (Note 4 and 19)	960,040	1,105,873
Depreciation of right-of-use assets (Note 18 and 19)	1,709,457	1,765,857
Amortisation of intangible assets (Note 5)	246,337	254,702
Net investment income (Note 20)	(5,879,166)	(5,609,912)
Gain on derecognition of lease liabilities and right-of-use assets	(47,595)	–
Increase/(decrease) in gross claim liabilities	10,148,423	(1,617,274)
Increase in reinsurers' share of premium liabilities and claims liabilities	(1,900,024)	(8,216,227)
Increase in gross premium liabilities	3,415,928	6,811,553
Decrease in deferred acquisition cost	151,328	358,068
Increase in deferred reinsurance commissions	176,566	879,506
Interest income on lease receivables (Note 18 and 21)	(19,300)	(26,329)
Interest expense on lease liabilities (Note 18 and 22)	92,409	125,741
Operating cash flows before working capital changes	19,696,456	5,874,367
Increase in debtors and prepayments	(1,817,726)	(4,757,042)
Increase in creditors	5,713,231	12,224,436
(Increase)/decrease in amount owing from holding and related companies (non-trade)	(1,007,933)	1,301,100
Increase/(decrease) in amount owing to holding and related companies (non-trade)	118,802	(263,266)
Increase in fixed deposits held in trust for policyholders	(1,669,745)	(3,184,928)
Decrease/(increase) in cash, bank balances and deposits held in trust for policyholders	6,232	(7,099)
Cash flows from operations	21,039,317	11,187,568
Net investment income received	5,313,378	6,671,559
Interest paid on lease liabilities (Note 18)	(92,409)	(125,741)
Interest received on lease receivables (Note 18)	19,300	26,329
Net cash flows generated from operating activities	**26,279,586**	**17,759,715**
Cash flows from investing activities		
Purchase of property and equipment (Note 4)	(363,312)	(270,231)
Proceeds from disposal of property and equipment	28,600	–
Purchase of available-for-sale financial assets (Note 11)	(41,207,883)	(39,514,461)
Proceeds from disposal and redemption of available-for-sale financial assets (Note 11)	142,232,698	38,303,375
Disposal to intangibles (Note 5)	11,364	–
Receipt of principal portion of lease receivable	435,645	428,615
Net cash flows from/ (used in) from investing activities	**101,137,112**	**(1,052,702)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of cash flows
For the financial year ended 31 December 2022

	2022 $	2021 $
Cash flow from financing activities		
Payment of principal portion of lease liabilities	(2,164,616)	(2,060,385)
Dividend paid (Note 6)	(5,539,459)	(5,099,800)
Capital repatriation (Note 16)	(120,000,000)	–
Net cash flow used in financing activities	(127,704,075)	(7,160,185)
Net (decrease)/increase in cash and cash equivalents	(287,377)	9,546,828
Cash and cash equivalents at beginning of year (Note 12)	91,796,637	82,249,809
Cash and cash equivalents at end of year (Note 12)	91,509,260	91,796,637

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The financial statements of Sompo Insurance Singapore Pte. Ltd. (the "Company") for the financial year ended 31 December 2022 were authorised by the Board of Directors for issuance on 22 March 2023.

The Company is a limited liability company which is incorporated and domiciled in Singapore.

The Company's immediate holding company is Sompo Holdings (Asia) Pte. Ltd., incorporated in Singapore and the ultimate holding company is Sompo Holdings Inc., incorporated in Japan. Related companies in these financial statements refer to the Sompo Holdings Inc. group of companies.

The registered office and principal place of business of the Company is located at 50 Raffles Place, #03-03 Singapore Land Tower, Singapore 048623.

The principal activities of the Company are the underwriting and reinsurance of general insurance business. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

The financial statements have been prepared on a historical cost basis, except for financial assets classified as available-for-sale which have been measured at their fair values.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$"), the functional currency of the Company. Management has determined the currency of the primary economic environment in which the Company operates ie. functional currency, to be Singapore Dollars as it best reflect the economic substance of the underlying events and circumstances relevant to the Company. Revenue and major costs including the major operating expenses are primarily influenced by fluctuations in Singapore Dollars.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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 expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (cont'd)

2.2 *Basis of amalgamation*

The financial statements comprise the financial statements of the Company and its related company that had been amalgamated during the prior financial year. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group are eliminated in full.

Amalgamation involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the amalgamated entities are reflected at their carrying amounts. Any differences between the consideration paid and the share capital and reserves of the "amalgamated" entity is reflected within equity as amalgamation reserve.

2.3 *Adoption of new and revised standards*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards and interpretations of FRS that are effective for annual periods beginning on or after 1 January 2022.

All other revisions and amendments to existing standards that are effective for financial periods commencing on or after January 1, 2023 are not expected to have a material impact on the Company's results and financial position. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

The effect of adoption of Amendments to FRS 104 *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts* is as follows:

During the financial year, the Company continues to apply the temporary exemption from FRS 109 *Financial Instruments* as permitted by the Amendments to FRS 104 *Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts* which is effective for annual periods beginning on or after 1 January 2018. The temporary exemption permits the Company to continue applying FRS 39 *Financial Instruments: Recognition and Measurement* rather than FRS 109 for annual periods beginning before 1 January 2023.

The Company concluded that it qualified for the temporary exemption from FRS 109 as the Company has not previously applied any versions of FRS 109 and its activities are predominantly connected with insurance at annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015). As at 31 December 2015, the Company's gross liabilities arising from contracts within the scope of FRS 104 represented 97% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

2. Summary of significant accounting policies (cont'd)

2.3 *Adoption of new and revised standards (cont'd)*

FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)

The table on the next page presents an analysis of the fair value of classes of financial assets as at 31 December 2022, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest ("SPPI"), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

The fair value as at 31 December 2022 and fair value change of the Company's financial assets during the year, based on the classification in accordance with FRS 109, is as follows:

	SPPI financial assets		**Other financial assets**	
31 December 2022	**Fair value** $	**Fair value change** $	**Fair value** $	**Fair value change** $
Available-for-sale financial assets	154,111,446	(12,908,287)	10,569,353	371,833
Cash, bank balances and deposit	98,322,452	–	–	–
Amount owing from holding companies (non-trade)	1,529,376	–	–	–
Amount owing from related companies (non-trade)	648,307	–	–	–
Trade debtors	33,261,734	–	–	–
Other debtors	2,211,685	–	–	–
Lease receivables	740,983	–	–	–
Total	290,825,983	(12,908,287)	10,569,353	371,833

2. Summary of significant accounting policies (cont'd)

2.3 *Adoption of new and revised standards (cont'd)*

FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)

	SPPI financial assets		**Other financial assets**	
31 December 2021	**Fair value** $	**Fair value change** $	**Fair value** $	**Fair value change** $
Available-for-sale financial assets	267,864,170	(5,170,259)	8,206,500	580,486
Cash, bank balances and deposit	96,946,316	–	–	–
Amount owing from holding companies (non-trade)	574,294	–	–	–
Amount owing from related companies (non-trade)	595,456	–	–	–
Trade debtors	30,850,167	–	–	–
Other debtors	2,962,143	–	–	–
Lease receivables	1,176,628	–	–	–
Total	400,969,174	(5,170,259)	8,206,500	580,486

Refer to the table as disclose in Note 24(b)(i) that shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with FRS 39 after impairment allowance for those measured at amortised cost.

As at 31 December 2022, the fair value of financial assets that do not have low credit risk was $106,333,249 (2021: $129,924,856).

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
FRS 117 *Insurance Contracts*	1 January 2023
Amendments to FRS 1 *Disclosure of Accounting Policies*	1 January 2023
Amendments to FRS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to FRS 1 *Classification of Liabilities as Current or Non-Current - Deferral of Effective Date*	1 January 2024
Amendments to FRS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2024

Except for FRS 117, the management expects that the adoption of the above standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 117 is described below:

The Company will apply two new standards, FRS 117 Insurance Contracts ("FRS 117") and FRS 109 Financial Instruments ("FRS 109"), for the first time for the financial period commencing January 1, 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments.

FRS117 Insurance Contracts

In May 2017, the IASB issued FRS 117, which replaces FRS 104 Insurance Contracts. FRS 117 is a comprehensive new accounting standards for insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. In addition, the IASB issued further amendments to FRS 117 in June 2020 and December 2021. The December 2021 amendment permits the Company to present comparative information about financial assets as if the classification and measurement requirements of FRS 109 had been applied to that financial asset in the comparative period (the "Classification Overlay").

FRS 117 is effective for annual reporting periods commencing on or after January 1, 2023 which will be the date of initial application by the Company. The adoption of FRS 117 will result in significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company.

All references to 'insurance contracts' within this note should be read as being equally applicable to both insurance contracts issued and reinsurance contracts held unless explicitly stated otherwise.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective (cont'd)*

FRS117 Insurance Contracts (cont'd)

(a) <u>Contract Evaluation</u>

Under FRS 117, similar to FRS 104, a contract is recognized as an insurance contract if it involves the assumption by the Company of significant insurance risk on a present value basis. For the Company, the revised definition will not result in a change in the insurance contracts classification under FRS 117. Direct insurance contracts issued by the Company are expected to be treated as insurance contracts under FRS 117 without exception.

For reinsurance assumed and reinsurance held, a risk transfer assessment is currently performed on the binding of new contracts under FRS 104 on quarterly basis. This is expected to continue when FRS 117 is effective. Contracts that fail the risk transfer assessment will be accounted for as a financial liability under IFRS 9, where material. The current population of contracts which do not pass risk transfer is small, and this is not expected to change going forward.

In some cases, when applying FRS 117, the Company will have to assess whether a set or series of individual insurance contracts are required to be combined and treated as a single contract for measurement purposes and/ or any embedded derivatives, distinct investment components and transfers of distinct goods and services must be separated from the contract and accounted for under another standard. The Company does not expect significant changes arising from the application of these requirements.

(b) <u>Level of Aggregation</u>

Under FRS 117, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e., by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The grouping of contracts under FRS 117 limits the offsetting of gains on profitable contracts against losses on onerous contracts, which are recognised immediately. The level of aggregation under FRS 117 is more granular than currently under FRS 104 and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner. The Company expects that no contracts will fall into the group which at initial recognition has no significant possibility of becoming onerous.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective (cont'd)*

FRS117 Insurance Contracts (cont'd)

(b) **Level of Aggregation (cont'd)**

The Company has identified portfolios of insurance contracts that are subject to similar risks and managed together based on the risks transferred from the policyholder to the Company under the insurance contracts and how the contracts are managed internally. For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and, for the remaining contracts, whether they have no significant possibility of becoming onerous subsequently. For insurance contracts measured using the Premium Allocation Approach ("PAA"), the Company will assume that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts may be onerous, an additional assessment will be performed to distinguish onerous contracts from non-onerous contracts. For non-onerous contracts, the Company will assess the likelihood of changes in relevant facts and circumstances in subsequent periods in determining whether contracts have no significant possibility of becoming onerous after initial recognition.

(c) **Contract Boundary**

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. Cash flows outside of the boundary of the insurance contract will be excluded from measurement. These cash flows relate to future insurance contracts.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

The Company has identified certain contract terms or features, for example retroactive coverage, portfolio transfer, cancellation which could impact contract boundary. These may result in the contract boundary to be longer or shorter than the coverage period and therefore affect the measurement of the insurance contracts.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective (cont'd)*

FRS117 Insurance Contracts (cont'd)

(d) Measurement

Under FRS 117, the measurement of insurance contracts is based on the Company's estimates of the present value of future cash flows attributable to the fulfilment of insurance contracts, an explicit risk adjustment for non-financial risk and, where these represent an expected net cash inflow to the Company, a contractual service margin representing the profit that the Company expects to earn as it provides services under the insurance contracts (net cost to the Company of future coverage receivable under reinsurance contracts held). FRS 117 also introduces two modifications to the General Measurement Model ("GMM"): the variable fee approach ("VFA") which is mandatory for insurance contracts where the policyholder has a direct participating interest; and the PAA which is an optional simplification of the general measurement model where certain criteria are met.

The Company expects that it will apply the PAA to all its contracts. None of its insurance contracts are expected to be measured using the GMM or VFA.

(e) PAA Measurement

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition. The Company has elected to defer insurance acquisition cash flows and amortised over the coverage period.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under FRS 117, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk. The Company will allocate expected premium receipts and recognizes insurance revenue during the coverage period based on the passage of time, unless the expected pattern of release from risk during the coverage period differs significantly from the passage of time, in which case the allocation is made based on the expected timing of incurred insurance service expenses.

The Company will recognise the liability for incurred claims ("LIC") of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Although the PAA is similar to the Company's current accounting treatment when measuring the LRC, the requirement to discount the future cash flows in the LIC and to include an explicit risk adjustment for non-financial risk are expected to have an impact on equity on transition. The Company has elected not to apply the option to recognise changes in discount rate in Other Comprehensive Income ("OCI") but rather recognise all effects of the time value of money, financial risk and changes therein in profit or loss as part of insurance finance income or expenses.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective (cont'd)*

FRS117 Insurance Contracts (cont'd)

(f) Discounting

The Company will apply a bottom-up approach to derive the discount rates applied to its insurance contracts based on the risk-free rates for major currencies with an illiquidity adjustment to adjust the risk-free curves to reflect the illiquid nature of the insurance contracts. Risk-free rates will be obtained from European Insurance and Occupational Pensions Authority ("EIOPA"), whereas liquidity premiums will be obtained from the Bermuda Monetary Authority ("BMA").

The requirement to measurement the LIC using current discount rates will be a significant change from the Company's current practice of not discounting claim liabilities.

(g) Risk Adjustment for Non-financial Risk

The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company estimates the risk adjustment for non-financial risk separately from all other estimates.

The risk adjustment for non-financial risk under FRS 117 is expected to be affected by several aspects: (a) recalibration of the measurement techniques to conform with the FRS 117 requirements, (b) exclusion of financial risk and general operational risk from the FRS 117 risk adjustment for non-financial risk and (c) consideration of diversification benefit across the lines of business written by the Company.

(h) Presentation and Disclosure

FRS 117 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements.

Under FRS 117, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under FRS 117, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective (cont'd)*

FRS117 Insurance Contracts (cont'd)

(i) <u>Insurance Service Results</u>

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses as part of the insurance service results, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented as other operating expenses, like the current practice, and not as part of the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under FRS 117.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as "net expenses from reinsurance contracts" in the insurance service result, but information about these will be included in the disclosures.

(j) <u>Transition</u>

The Company will adopt FRS 117 for its financial statements for the year ending December 31, 2023 and will apply the requirements retrospectively from the transition date of January 1, 2022 (the "Transition Date"). The Company has assessed the practicability of applying the full retrospective approach ("FRA") to all group of insurance contracts that had unexpired risk prior to the Transition Date.

Based on the assessment, FRA will be applied for insurance contracts in the 2021 and 2020 cohorts. Accordingly, the Company has recognised and measured each group of insurance contracts in this category as if FRS 117 had always applied; derecognized any existing balances that would not exist had FRS 117 always applied; and recognised any resulting net difference in equity.

For cohort 2019 and prior, the application of FRA is impracticable and the Company has decided to apply the Modified Retrospective Approach ("MRA"). In applying the MRA, the Company will leverage on certain modification allowed under the standard to:

- determine the profitability grouping based on reasonable and supportable information at the transition date;
- classify liabilities for settlement of claims incurred on contracts acquired as part of a business combination under FRS 103 or common contract transaction, as LIC.

2. Summary of significant accounting policies (cont'd)

2.5 *Current versus non-current classification*

The Company presents assets and liabilities in the balance sheet based on whether it is current and non-current.

An asset is current when it is:

- Expected to be realised in the normal operating cycle; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- It is expected to be settled in the normal operating cycle;
- Due to be settled within 12 months after the reporting period; or
- Not subject to unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.6 *Property and equipment*

All items of property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	5 years or over the remaining term of lease, whichever is shorter
Motor vehicles	5 years
Renovations	5 years or over the remaining term of lease, whichever is shorter
Furniture and fittings	3 years
Office equipment	3 years
Computers	3 to 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.6 *Property and equipment (cont'd)*

The residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Costs incurred for individual items of property and equipment amounting to less than $1,500 are recognised in profit or loss in the year of purchase.

2.7 *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.

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.

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

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of right-of-use assets if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

Right-of-use 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:

Office space	-	5 years
Motor vehicles	-	5 years
Office equipment	-	3 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 right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9 Impairment of non-financial assets.

2. Summary of significant accounting policies (cont'd)

2.7 *Leases (cont'd)*

Company as a lessee (cont'd)

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. 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.

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

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of 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.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

In classifying a sublease, the Company as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

2. Summary of significant accounting policies (cont'd)

2.7 *Leases (cont'd)*

Company as a lessor (cont'd)

When the sublease is assessed as a finance lease, the Company derecognises the right-of-use asset relating to the head lease that it transfers to the sub-lessee and recognised the net receivable relating to the sublease under "Lease receivables" in the balance sheet. Any differences between the right-of-use asset derecognised and the net receivable relating to the sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Company recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

2.8 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Bancassurance rights

Bancassurance rights relate to the cost of the Bancassurance Distribution Agreement entered into with a bank. The cost is capitalised and amortised to profit or loss using the straight-line method over the estimated finite useful life of 20 years (i.e., the term of Bancassurance Distribution Agreement) and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets (cont'd)*

Club membership

Club membership is carried at cost less any accumulated impairment losses, if any. No amortisation is provided as management has assessed the useful life of the club membership to be indefinite. Club membership is tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of a club membership is reviewed annually to determine whether the useful life assessment continues to be supportable.

2.9 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the statement of profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 *Investment in subsidiary*

The investment in subsidiary is stated at cost, less any impairment in recoverable value.

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company's subsidiary, Premier Insurance Agencies Pte. Ltd. was deregistered on 3 August 2021, three months after lodging dissolution return to ACRA.

2. Summary of significant accounting policies (cont'd)

2.11 *Financial assets*

The Company classified its non-derivative financial assets into the following categories: available-for-sale financial assets, loans and receivables and financial assets at fair value through profit or loss.

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Cash, bank balances and deposits, trade debtors and other debtors including those with related parties are carried at amortised cost and are considered as loans and receivables.

2. Summary of significant accounting policies (cont'd)

2.11 *Financial assets (cont'd)*

Initial recognition and measurement (cont'd)

(c) Available-for-sale financial assets

The Company classifies its investments as available-for-sale financial assets.

The available-for-sale financial assets are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges associated with the investment.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.12 *Impairment of financial assets*

(a) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on the financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.12 *Impairment of financial assets (cont'd)*

(b) *Financial assets carried at amortised cost*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 *Insurance receivables*

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.11 have been met.

2.14 *Cash, bank balances and deposits*

Cash, bank balances and deposits consist of current accounts, fixed deposits with banks and cash on hand.

Cash equivalents are those that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (cont'd)

2.15 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

The carrying amounts of these financial liabilities are reasonable approximation of fair values, either due to their short-term nature on or near the balance sheet date.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are recognised, and through the amortisation process.

Trade and other creditors

Liabilities for trade and other creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to holding and related companies are carried at amortised cost.

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

2.16 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.17 *Insurance contracts and related liabilities*

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Any contract not considered insurance contracts under the FRS are classified as investment contracts.

General insurance contract liabilities include the outstanding claims provision, the unearned premium reserve and the provision for premium deficiency. These liabilities, where necessary, are discounted for the time value of money. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the estimation involves using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

2.18 *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 reinsurer's policies and are in accordance with the related insurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. 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 profit or loss.

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

2. Summary of significant accounting policies (cont'd)

2.18 *Reinsurance (cont'd)*

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were 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 insurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the balance sheet. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

2.19 *Premium liabilities*

Premium liabilities comprises the sum of unearned premium reserves and premium deficiency reserves. Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired period of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves.

The unearned premium reserves are computed on the following basis:

(a) on the basis not less accurate than the 1/365 method for all direct and facultative and treaty reinsurance classes of business other than marine cargo, for which 25% is applicable;

(b) the actual acquisition cost is taken into account in the computation in respect of direct and facultative and treaty reinsurance business, except for marine cargo business.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Unexpired risk reserves are calculated based on the expected loss on unexpired policies after taking into consideration all benefits, claims, claims adjustment expenses, acquisition cost, maintenance expenses, and policyholders experience participation, as determined by the Actuary.

2. Summary of significant accounting policies (cont'd)

2.19 *Premium liabilities (cont'd)*

Liability adequacy test

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of any loss adjustment expenses. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised and a provision for liability adequacy is set up.

2.20 *Deferred acquisition costs ("DAC")*

Commission costs incurred during the financial period arising from securing new insurance contracts and/or renewing existing insurance contracts are deferred to the extent that they are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to recognition, DAC is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the profit or loss.

Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

2.21 *Deferred reinsurance commissions*

Commissions receivable on outwards reinsurance contracts are deferred and amortised on straight line basis over the term of the expected premiums payable.

2.22 *Claims*

General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage, other recoveries and any adjustments to claims outstanding from prior years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

2. Summary of significant accounting policies (cont'd)

2.23 *Claims liabilities*

Provision is made for the estimated cost of all claims notified but not settled at the balance sheet date, less reinsurance recoveries, using the best information available at that time. Provision is also made for claims incurred but not reported ("IBNR") at the balance sheet date based on historical claims experience, adjusted for variations in expected future settlement, as well as direct and indirect claims expenses.

At each reporting date, prior year's claim estimates are reassessed for adequacy and changes are made to the provision. Additional provision may be made by management as deemed necessary.

2.24 *Revenue and expense recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Premium income*

Premium income is recognised at the time a policy is issued, which approximates the inception date of the risk. Reinsurance premium income is recognised when advised. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense.

Premiums on long-term policies are recognised at commencement of contract and premiums not relating to the current financial year have been adjusted for as long term unexpired risk.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business.

At initial recognition of premiums, an unearned premium reserve is established which equals the amount of written premium. Premium is then recognised as earned over the policy term in accordance with the period of insurance service, by recording changes in the unearned provision against premium income.

(b) *Commission expense*

Commission expenses paid or payable to intermediaries (brokers/agents) upon acquiring new and renewal insurance business are recognised as expenses in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.24 *Revenue and expense recognition (cont'd)*

(c) *Commission income*

Commission income comprises reinsurance commissions received or receivable from reinsurers and is recognised as income in profit or loss.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

2.25 *Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.26 *Employee benefits*

(a) *Defined contribution plan*

As required by Singapore law, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.27 *Income taxes*

(a) *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

2.27 *Income taxes (cont'd)*

(c) *Goods and services tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.28 *Foreign currency transactions*

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.29 *Contingencies*

A contingent liability is:

(a) possible obligation that arises from past events and whose 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 Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

2. Summary of significant accounting policies (cont'd)

2.30 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

(a) *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company. The carrying amounts of the Company's income tax payables and deferred tax assets at the balance sheet date were $Nil (2021: $Nil) and $10,551,033 (2021: $8,291,818) respectively.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment 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. The carrying value at the end of the reporting period for deferred tax asset is disclosed in Note 7 to the financial statements.

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

Key sources of estimation uncertainty (cont'd)

(b) *Insurance contract liabilities*

Significant judgement is also involved in determining the Company's insurance contract liabilities. The claims reserve estimation process involves the estimation of reserve of outstanding reported claims (case reserves), estimation of additional reserves for IBNR and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims incurred but not enough reported ("IBNER"). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined by the Company after taking into account the certifying actuary's assessment. The total claim liabilities are subject to a quarterly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the Company's claim liabilities.

In forming their view on the adequacy of the claims reserve, the actuary uses a variety of statistical projection techniques such as the Chain Ladder and Bornhuetter-Ferguson methods. The claims reserve is separately analysed by class of business and it is intended to provide a minimum of 75% level of adequacy, and as such includes a provision for adverse deviation ("PAD") beyond the best estimate of the claim liabilities.

The best estimates for premium liabilities have been determined such that the total liability reserve would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date. In calculating these premium liabilities for the various classes, the Company used the expected loss ratio method ("ELR"), with the main loss ratio assumption based on the outcome of the analysis for claim liabilities.

The process, estimation, sensitivities and key assumptions used in determining the insurance contract liabilities are further discussed in Note 24(e).

(c) *Impairment of trade debtors*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The provision for allowance for doubtful receivables for the year ended 31 December 2022 amounted to $414,113 (2021: $Nil) as disclosed in Note 9.

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

Key sources of estimation uncertainty (cont'd)

(d) *Impairment of intangible assets - Bancassurance rights*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Indicators of impairment of a cash generating unit include any one of the following conditions:

(i) Continuous losses or negative cash flows from operating activities, where ordinary losses (i.e. losses before tax and extraordinary items) were recorded in the three prior financial years; or consecutively in the two prior financial years and expected to occur in the current financial year.

(ii) Changes that significantly reduce recoverable amounts have or are expected to occur, for example discontinued operations or significant reduction in business size.

(iii) Business environment has significantly deteriorated or is expected to do so, for example, there is an economic downturn or political unrest.

During the year ended 31 December 2022, the Bancassurance business achieved its sales target for the pay-out of the final of three milestone payments. This final of first milestone payment will be disbursed in 2023. The Company remains the exclusive Bancassurance partner of CIMB and no indicators of deterioration of the partnership were noted.

No impairment of the bancassurance rights intangible assets was required.

(e) *Leases - Estimating the incremental borrowing rate*

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

4. Property and equipment

	Computers $	Furniture and fittings $	Renovations $	Office equipment $	Motor vehicles $	Work in Progress ("WIP") $	Total $
Cost							
As at 1 January 2022	9,259,356	351,390	2,507,440	152,942	–	44,884	12,316,012
Transfer of WIP	334,096	–	–	–	–	(334,096)	-
Additions for the year	37,500	–	–	–	–	325,812	363,312
Disposals for the year	(2,499,883)	(2,639)	(170,621)	(1,233)	–	(28,600)	(2,702,976)
As at 31 December 2022	7,131,069	348,751	2,336,819	151,709	–	8,000	9,976,348
Accumulated depreciation							
As at 1 January 2022	8,227,551	351,390	1,713,273	119,284	–	–	10,411,498
Charge for the year (Note 19)	530,232	-	414,348	15,460	–	–	960,040
Disposal for the year	(2,499,883)	(2,639)	(170,621)	(1,233)	–	–	(2,674,376)
As at 31 December 2022	6,257,900	348,751	1,957,000	133,511	–	–	8,697,162
Net carrying amount as at 31 December 2022	873,169	–	379,819	18,198	–	8,000	1,279,186

4. Property and equipment (cont'd)

	Computers $	Furniture and fittings $	Renovations $	Office equipment $	Motor vehicles $	Work in Progress ("WIP") $	Total $
Cost							
As at 1 January 2021	8,987,509	351,390	2,507,440	152,942	–	46,500	12,045,781
Transfer of WIP	46,500	–	–	–	–	(46,500)	–
Additions for the year	225,347	–	–	–	–	44,884	270,231
Disposals for the year	–	–	–	–	–	–	–
As at 31 December 2021	9,259,356	351,390	2,507,440	152,942	–	44,884	12,316,012
Accumulated depreciation							
As at 1 January 2021	7,565,347	351,390	1,285,113	103,775	–	–	9,305,625
Charge for the year (Note 19)	662,204	–	428,160	15,509	–	–	1,105,873
Disposal for the year	–	–	–	–	–	–	–
As at 31 December 2021	8,227,551	351,390	1,713,273	119,284	–	–	10,411,498
Net carrying amount as at 31 December 2021	1,031,805	–	794,167	33,658	–	44,884	1,904,514

5. Intangible assets

	Club memberships $	Bancassurance rights $	Total $
Cost			
As at 1 January 2021	771,364	5,058,634	5,829,998
Additions	–	–	–
As at 31 December 2021 and 1 January 2022	771,364	5,058,634	5,829,998
Disposal	(11,364)	-	(11,364)
At 31 December 2022	760,000	5,058,634	5,818,634
Accumulated amortisation and impairment			
As at 1 January 2021	268,364	1,068,305	1,336,669
Amortisation (Note 22)	–	254,702	254,702
As at 31 December 2021 and 1 January 2022	268,364	1,323,007	1,591,371
Amortisation (Note 22)	(8,364)	254,702	246,337
As at 31 December 2022	260,000	1,577,709	1,837,708
Net carrying amount			
As at 31 December 2021	503,000	3,735,627	4,238,627
As at 31 December 2022	500,000	3,480,925	3,980,926

The bancassurance rights will be amortised until 2035.

The fair value of the club memberships amounted to $500,000 (2021: $503,000) which is based on published market rates.

6. Dividend

	2022	2021
	$	$
Dividend paid to equity holders	5,539,459	5,099,800

On 23 March 2022, the Company's management proposed a dividend of 1.9903 cents per share for approval by the Board of Directors. Dividend payout for 2022 was made on 10 May 2022.

7. Taxation

(a) ***Tax credit***

	2022	2021
	$	$
Deferred tax income	(1,058,000)	(640,000)
Deferred tax asset related to other comprehensive income		
- Fair value changes of available-for-sale financial assets (Note 17)	(1,201,214)	(407,470)

7. Taxation (cont'd)

(a) *Tax credit (cont'd)*

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December was as follows:

	2022 $	2021 $
Profit before tax	10,642,053	10,042,809
Tax expense on profit before tax at 17%	1,809,149	1,707,278
Adjustments:		
Expenses not deductible for tax purposes	196,044	81,308
Tax effect of income brought to tax at 10%	(194,397)	(33,008)
Benefits from previously unrecognised tax losses	(1,810,796)	(1,755,578)
Deferred tax asset movement	(1,058,000)	(640,000)
Income tax expense/(credit)	(1,058,000)	(640,000)

Profit from approved offshore business is taxed at a concessionary rate of 10% in accordance with the Income Tax Regulations. The statutory tax rate is 17% in 2022 (2021: 17%).

(b) *Deferred taxation*

	2022 $	2021 $
Balance at 1 January	(8,291,818)	(7,244,348)
Charged to:		
- Profit or loss account	(1,058,000)	(640,000)
- Fair value adjustment reserve (Note 17)	(1,201,215)	(407,470)
Balance at 31 December	(10,551,033)	(8,291,818)

Deferred income tax assets and liabilities

	2022 $	2021 $
Deferred tax liabilities		
Revaluations of available-for-sale financial assets	(852,590)	410,182
Deferred tax assets		
Revaluations of available-for-sale financial assets	61,558	–
Unabsorbed tax losses	(9,760,001)	(8,702,000)
Net deferred tax assets	(10,551,033)	(8,291,818)

7. Taxation (cont'd)

(b) *Deferred taxation (cont'd)*

At the end of the reporting period, the Company has tax losses of approximately $100,078,033 (2021: $118,450,462) that are available for offset against future taxable profits of the Company in which the losses arose, and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The use of these tax losses is subject to the agreement of the tax authorities and compliance with Singapore Income Tax regulations.

8. Amounts owing from/to holding and related companies (non-trade)

The amounts owing from holding and related companies (non-trade) are interest-free and repayable on demand. These amounts are unsecured and are expected to be settled in cash.

9. Trade debtors

	2022 $	2021 $
Holding companies	708,295	227,584
Related companies	25,289	738,111
Third parties	32,942,263	29,884,472
	33,675,847	30,850,167
Allowance for doubtful receivables (Note 22)	(414,113)	–
	33,261,734	30,850,167
Due from insurers	2,488,909	3,747,774
Due from agents, brokers and intermediaries	29,716,956	26,246,415
Due from reinsurers	1,055,869	855,978
	33,261,734	30,850,167
Add:		
Other debtors (Note 10)	2,211,685	2,962,143
Amounts owing from holding companies (non-trade) (Note 8)	1,529,376	574,294
Amounts owing from related companies (non-trade) (Note 8)	648,307	595,456
Lease receivables (Note 18)	740,983	1,176,628
Cash, bank balances and deposits (Note 12)	98,322,452	96,946,316
Total financial assets at amortised cost and classified as loans and receivables	136,714,537	133,105,004

9. Trade debtors (cont'd)

Trade debtors relate to amount due from insurers, agents, broker and intermediaries and reinsurers. Trade debtors are non-interest bearing receivables that are due but not impaired and are generally on 30 to 90 days' credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Company has trade receivables amounting to $6,680,536 (2021: $5,096,958) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	2022 $	2021 $
Trade receivables past due not impaired:		
Less or equal to 90 days	2,059,070	1,649,600
91 to 120 days	130,120	51,456
121 to 180 days	77,315	641,053
181 to 365 days	2,352,748	880,332
More than 365 days	2,061,283	1,874,517
Total	6,680,536	5,096,958

Receivables that are impaired

The Company's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment is $414,113 (2021: $Nil).

10. Other debtors

	2022 $	2021 $
Interest receivable	1,599,736	2,342,536
Sundry deposits and debtors	611,949	619,607
Total	2,211,685	2,962,143

11. Available-for-sale financial assets

	2022 $	2021 $
Corporate and statutory board bonds	154,111,446	261,760,370
Government bonds	-	6,103,800
Quoted equity shares	10,569,161	8,206,308
Unquoted equity shares	192	192
Total available-for-sale financial assets	164,680,799	276,070,670

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date, without any deduction for transaction costs.

For units in unit trusts, money market funds and shares in open ended investment companies, fair value is determined by reference to published bid values.

Investments in corporate, statutory board and government bonds bear interest ranging from 1.4% to 4.1% (2021: 1.8% to 4.1%) per annum. The maturity of these investments is disclosed in Note 24 (b) (ii).

The carrying values are determined as follows:

	2022 $	2021 $
Balance at beginning of the year	276,070,670	279,647,840
Additions	41,207,883	39,514,461
Redemptions and disposals	(142,232,698)	(38,303,375)
Amortisation of premium on bonds (Note 20)	1,318,702	(868,704)
Unrealised fair value gain/(loss)	(11,683,758)	(3,919,552)
Balance at end of the year	164,680,799	276,070,670

Fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

11. Available-for-sale financial assets (cont'd)

Fair value hierarchy (cont'd)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
2022				
Financial assets:				
Available-for-sale financial assets	164,680,607	-	192	164,680,799
2021				
Financial assets:				
Available-for-sale financial assets	276,070,478	–	192	276,070,670

12. Cash, bank balances and deposits

Cash, bank balances and deposits comprise the following amounts:

	2022 $	2021 $
Fixed deposits	73,153,959	61,906,138
Cash, bank balances and deposits	25,168,493	35,040,178
Cash, bank balances and deposits included in balance sheet	98,322,452	96,946,316
Fixed deposits held in trust for policyholders	(6,776,098)	(5,106,353)
Cash, bank balances and deposits held in trust for policyholders	(37,094)	(43,326)
Cash and cash equivalents included in cash flow statement	91,509,260	91,796,637

Fixed deposits are made for varying periods less than 1 year depending on the immediate cash requirements of the Company, and earn interest at the respective fixed deposit rates ranging from 0.5% to 4.4% (2021: 0.1% to 0.6%) per annum.

13. Trade creditors

	2022 $	2021 $
Holding company	22,246,190	16,396,274
Related companies	1,347,077	604,119
Third parties	8,930,486	10,648,096
	32,523,753	27,648,489

The amounts due to holding company and related companies are unsecured and non-interest bearing with no fixed repayment terms.

14. Other creditors

	2022 $	2021 $
Accrual for audit fees	736,156	547,062
Cash collaterals from policyholders	6,813,191	5,149,679
Net output tax payable	1,439,233	1,226,995
Other creditors	1,484,774	3,111,916
Other accruals	9,257,672	8,857,407
	19,731,026	18,893,059

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

Cash collaterals from policyholders

	2022 $	2021 $
Fixed deposits	6,776,098	5,106,353
Cash, bank balances and deposits	37,093	43,326
	6,813,191	5,149,679

15. Technical reserves

	Gross $	Recoverable from reinsurers $	Net $
2022			
Claims reported and loss adjustment expenses	76,349,216	(20,788,676)	55,560,540
Claims incurred but not reported	20,811,824	(11,281,783)	9,530,041
Claims liabilities	97,161,040	(32,070,459)	65,090,581
Premium liabilities	84,818,173	(36,215,342)	48,602,831
	181,979,213	(68,285,801)	113,693,412
Deferred acquisition costs and deferred reinsurance commissions	(10,897,064)	5,891,951	(5,005,113)
Insurance contract liabilities	171,082,149	(62,393,850)	108,688,299
2021			
Claims reported and loss adjustment expenses	69,879,180	(21,923,854)	47,955,326
Claims incurred but not reported	17,133,437	(9,603,414)	7,530,023
Claims liabilities	87,012,617	(31,527,268)	55,485,349
Premium liabilities	81,402,245	(34,858,509)	46,543,736
	168,414,862	(66,385,777)	102,029,085
Deferred acquisition costs and deferred reinsurance commissions	(11,048,392)	5,715,385	(5,333,007)
Insurance contract liabilities	157,366,470	(60,670,392)	96,696,078

15. Technical reserves (cont'd)

(a) *Claims liabilities*

	Gross $	Reinsurance $	Net $
2022			
Notified claims	69,879,180	(21,923,854)	47,955,326
Incurred but not reported	17,133,437	(9,603,414)	7,530,023
Total at beginning of year	87,012,617	(31,527,268)	55,485,349
Cash paid for claims settled in the year	(72,721,553)	42,812,651	(29,908,902)
Movement in claims incurred	82,869,976	(43,355,842)	39,514,134
Total at end of year	97,161,040	(32,070,459)	65,090,581
Notified claims	76,349,216	(20,788,676)	55,560,540
Incurred but not reported	20,811,824	(11,281,783)	9,530,041
	97,161,040	(32,070,459)	65,090,581
2021			
Notified claims	72,211,448	(22,851,507)	49,359,941
Incurred but not reported	16,418,443	(8,888,073)	7,530,370
Total at beginning of year	88,629,891	(31,739,580)	56,890,311
Cash paid for claims settled in the year	(72,082,960)	35,893,589	(36,189,371)
Movement in claims incurred	70,465,686	(35,681,277)	34,784,409
Total at end of year	87,012,617	(31,527,268)	55,485,349
Notified claims	69,879,180	(21,923,854)	47,955,326
Incurred but not reported	17,133,437	(9,603,414)	7,530,023
	87,012,617	(31,527,268)	55,485,349

15. Technical reserves (cont'd)

(b) *Premium liabilities*

	Gross $	Reinsurance $	Net $
2022			
At beginning of the year	81,402,245	(34,858,509)	46,543,736
Changes in the year	3,415,928	(1,356,833)	2,059,095
As at end of the year	84,818,173	(36,215,342)	48,602,831
2021			
At beginning of the year	74,590,692	(26,429,970)	48,160,722
Changes in the year	6,811,553	(8,428,539)	(1,616,986)
As at end of the year	81,402,245	(34,858,509)	46,543,736

(c) *Deferred acquisition costs and deferred reinsurance commissions*

	Deferred acquisition costs $	Deferred reinsurance commissions $	Net $
2022			
As at 1 January	(11,048,392)	5,715,385	(5,333,007)
Changes in the year	151,328	176,566	327,894
As at 31 December	(10,897,064)	5,891,951	(5,005,113)
2021			
As at 1 January	(11,406,460)	4,835,879	(6,570,581)
Changes in the year	358,068	879,506	1,237,574
As at 31 December	(11,048,392)	5,715,385	(5,333,007)

16. Share capital

	2022		2021	
	No. of shares	$	No of shares	$
Issued and fully paid:				
Balance at beginning of the year	278,327,805	278,327,805	278,327,805	278,327,805
Capital reduction	(120,000,000)	(120,000,000)	–	–
Balance at end of the year	158,327,805	158,327,805	278,327,805	278,327,805

On 24 April 2022, the Company's issued and paid up share capital of $278,327,805 comprising 278,327,805 ordinary shares was reduced by $120,000,000 (120,000,000 ordinary shares) to $158,327,805 comprising 158,327,805 ordinary shares by way of cash distribution.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

17. Fair value adjustment reserves

Fair value adjustment reserves represent the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	2022	2021
	$	$
Balance at beginning of the year	2,391,795	5,903,877
Fair value loss	(12,536,454)	(4,589,773)
Transferred to profit or loss:		
Loss on sale of available-for sale financial assets (Note 20)	852,697	670,221
Income tax relating to fair value adjustment reserve (Note 7(a))	1,201,214	407,470
Balance at end of the year	(8,090,748)	2,391,795

18. Leases

Company as a lessee

The Company has lease contracts for various items of property, motor vehicles and office equipment used in its operations. Leases of property generally have lease terms of 5 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. In 2020, the Company terminated one of the property leases. There are no changes to the terms and rates of the remaining property lease.

The Company also has certain leases of office equipment with low value. The Company applies the 'lease of low-value assets' recognition exemptions for these leases.

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

	Property $	**Motor vehicles** $	**Office equipment** $	**Total** $
As at 1 January 2021	5,622,559	171,759	306,153	6,100,471
Additions	–	113,419	–	113,419
Depreciation expense (Note 19)	(1,533,779)	(169,788)	(62,290)	(1,765,857)
As at 31 December 2021	4,088,780	115,390	243,863	4,448,033
Additions	–	31,877	–	31,877
Depreciation expense (Note 19)	(1,533,779)	(115,641)	(60,037)	(1,709,457)
As at 31 December 2022	2,555,001	31,626	183,826	2,770,453

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

	2022 $	**2021** $
As at 1 January	5,701,051	7,648,018
Additions	31,877	113,419
Accretion of interest (Note 22)	92,409	125,741
Payments	(2,304,621)	(2,186,127)
As at 31 December	3,520,717	5,701,051
Current	2,120,505	2,186,990
Non-current	1,400,212	3,514,061

The maturity analysis of lease liabilities is disclosed in Note 24(b)(ii).

18. Leases (cont'd)

Company as a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	2022 $	2021 $
Depreciation expense of right-of-use assets (Note 19)	1,709,457	1,765,857
Interest expense on lease liabilities (Note 22)	92,409	125,741
Expense relating to short-term leases (included in other operating expenses) (Note 22)	24,500	31,000
Total amount recognised in profit or loss	1,826,366	1,922,598

The Company had total cash outflows for leases of $ 2,281,525 in 2022 (2021: $2,217,126). The Company also had non-cash additions to right-of-use assets of $31,877 in 2022 (2021: $113,419), lease liabilities of $31,877 in 2022 (2021: $113,419) and non-cash disposal to right-of-use assets of $ 192,724 in 2022(2021: Nil) as well as derecognition of right-of-use assets of $Nil (2021: $Nil) and lease of liabilities of $Nil (2021: $Nil).

Company as a lessor - Sublease

The Company's sublease of its right-of-use of the office space is classified as finance lease because the sublease is for the entire remaining lease term of the head lease.

ROU assets relating to the head leases with subleases classified as finance lease is derecognised. The net receivable relating to the sublease is recognised under "Lease receivables" in the balance sheet. Finance income on the lease receivables during the financial year is $19,300 (2021: $26,329).

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	2022 $	2021 $
Within one year	454,944	454,944
After one year but not more than five years	303,296	758,240
More than five years	–	–
Total undiscounted lease payments	758,240	1,213,184
Unearned finance income	(17,257)	(36,556)
Net investment in finance lease	740,983	1,176,628
Current	442,650	435,505
Non-current	298,333	741,123
Total	740,983	1,176,628

18. Leases (cont'd)

Company as a lessor - Sublease (cont'd)

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

	2022 $	2021 $
As at 1 January	1,176,628	1,605,243
Accretion of interest (Note 21)	19,300	26,329
Receipts	(454,945)	(454,944)
As at 31 December	740,983	1,176,628

19. Operating and administrative expenses

	2022 $	2021 $
Directors' remuneration	1,139,540	1,069,576
Central Provident Fund contributions	2,152,696	2,575,845
Salaries, bonuses and other costs	20,973,952	19,181,986
Depreciation of property and equipment (Note 4)	960,040	1,105,873
Depreciation of right-of-use assets (Note 18)	1,709,457	1,765,857
	26,935,685	25,699,137

The directors' remuneration includes directors' fees amounting to $132,966 (2021: $128,000).

20. Net investment income

	2022 $	2021 $
Interest on corporate and statutory board debt securities	4,238,070	7,009,716
Interest from government debt securities	(105,479)	112,434
Interest income from available-for-sale financial assets	4,132,591	7,122,150
Interest from current accounts	110,403	14,284
Interest from fixed deposits	1,267,612	181,070
Interest income from cash, bank balances and deposits	1,378,015	195,354
Exchange loss on foreign currencies, net	(86,346)	(30,560)
	1,291,669	164,794
Dividend income	307,663	175,061
Amortisation of premium on bonds (Note 11)	1,318,702	(868,704)
Loss on sale of available-for-sale financial assets (Note 17)	(852,697)	(670,221)
Investment expenses	(318,762)	(313,168)
	5,879,166	5,609,912

21. Other income

	2022 $	2021 $
Agency fees	3,530,341	4,039,182
Government grant received	–	343,932
Information technology support fees	–	18,725
Head Office service fees	26,010	76,094
Interest income from lease receivable (Note 18)	19,300	26,329
Foreign currency exchange gains	1,343,707	647,889
Miscellaneous income	3,060,300	658,043
	7,979,658	5,810,194

Government grants relate to cash grants received from the Singapore Government via the Jobs Support Scheme to help businesses deal with the impact from COVID-19. The Jobs Support Scheme provides wage support to employers to help them retain their local employees during this period of economic uncertainty. The Company has qualified for the payouts under this scheme as the Company has made CPF contributions for their local employees.

22. Other operating expenses

	2022 $	2021 $
Information technology expenses	2,836,430	2,489,490
Lease expenses (Note 18)	24,500	31,000
Professional fees	777,515	842,773
Other staff costs	661,035	543,744
Advertising, marketing and subscription	192,638	546,381
Bank charges	459,519	480,276
Goods and services tax expenses	591,600	642,491
Amortisation of CIMB milestone payment (Note 5)	254,702	254,702
Foreign currency exchange losses	2,452,454	645,143
Interest expense (Note 18)	92,409	125,741
Charge of provision for doubtful receivables (Note 9)	414,113	–
Bad debts	76	–
Other expenses	1,182,776	1,098,749
	9,939,767	7,700,490

23. Significant related party transactions

(a) The Company has significant transactions with the holding company and related companies on terms agreed between the parties as follows:

	2022 $	2021 $
Claims paid, commissions paid and reinsurance business ceded		
- Holding company	(32,073,245)	(35,001,206)
- Related companies	(3,384,954)	(919,077)
Claims recovery, commissions received and reinsurance business accepted		
- Holding company	21,046,007	19,564,120
- Related companies	1,546,234	1,600,674
Interest income from		
- Holding company	19,300	26,329
- Related companies	–	–
Agency fees income from		
- Holding company	3,530,341	4,027,164
- Related companies	–	12,018
Miscellaneous fees and rental income from		
- Holding company	403,006	162,307
- Related companies	2,491,600	515,595
Risk survey and service agreement fees to		
- Holding company	(76,222)	(54,881)
- Related companies	881	–

23. Significant related party transactions (cont'd)

(b) Compensation of key management personnel

	2022 $	2021 $
Short-term employee benefits	984,772	916,922
Central Provident fund contributions	17,340	17,341
Director's fees	132,966	128,000
Allowances and other benefits	21,802	24,654
	1,156,880	1,086,917
Comprise amounts paid to:		
- Directors of the Company	1,156,880	1,086,917

Key management personnel include non-independent directors.

24. Management of insurance risk and financial risk

The Company has a Risk Management Committee that has established a risk manual and an enterprise risk management framework that allows the Company to be prepared for risks.

This framework specifies the practices and processes that need to be in place to manage the Company's financial and non-financial risks on an on-going basis.

The main risks arising from the Company's insurance contracts and financial instruments are summarised below:

(a) ***Insurance risk***

The Company principally writes a regional book of general insurances comprising Marine Cargo, Motor, Property, Workmen's Compensation and General Accident.

Regional territories are made up mainly of Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

The Company manages its insurance risk through a comprehensive risk management policy where key performance and risk indicators are clearly defined and monitored. Underwriting guidelines sets out the Company's underwriting strategy, direction and risk appetite by product lines.

The most significant exposure is expected to arise from risks involving properties with high values. To manage this, the Company closely monitors the policy developments and ensures that proper reinsurance protection is in place to protect its net profitability and solvency.

The Company purchases reinsurance coverage on both treaty and facultative basis. The Company's net retention varies according to product lines and loss experience.

The Company relies on its reinsurance arrangements to protect its liquidity and solvency when large losses arise. Its reinsurance placements are diversified and spread amongst selected reinsurers to avoid over-reliance on any single reinsurer.

24. Management of insurance risk and financial risk (cont'd)

(a) *Insurance risk (cont'd)*

To mitigate the risk of reinsurance failure, the Company adopts a strict reinsurance management policy that is governed by two key criteria, namely reinsurance usage selection and reinsurance usage concentration. The Company monitors these indicators actively and takes corrective action whenever the need arises.

The table below sets out the concentration of claims liabilities by type of contract:

Claims liabilities	**Gross claims liabilities** $'000	**Reinsurers' share of claims liabilities** $'000	**Net claims liabilities** $'000
As at 31 December 2022			
Marine	5,668	(3,246)	2,422
Motor	36,352	(3,066)	33,286
Property	5,131	(2,418)	2,713
Workmen's Compensation	16,732	(938)	15,794
Others	33,278	(22,402)	10,876
Total	97,161	(32,070)	65,091
As at 31 December 2021			
Marine	7,112	(4,543)	2,569
Motor	31,643	(3,325)	28,318
Property	5,153	(3,138)	2,015
Workmen's Compensation	13,269	(905)	12,364
Others	29,836	(19,616)	10,220
Total	87,013	(31,527)	55,486

24. Management of insurance risk and financial risk (cont'd)

(a) *Insurance risk (cont'd)*

The geographical concentration of the Company's insurance liabilities at 31 December 2022 are as follows. The disclosure is based on the countries where the insurance business is written.

Claims liabilities	**Gross claims liabilities** $'000	**Reinsurers' share of claims liabilities** $'000	**Net claims liabilities** $'000
As at 31 December 2022			
Indonesia	113	(56)	57
Philippines	15	–	15
Singapore	96,934	(31,989)	64,945
Thailand	(8)	(3)	(11)
Others	107	(22)	85
Total	97,161	(32,070)	65,091
As at 31 December 2021			
Indonesia	113	(56)	57
Philippines	15	–	15
Singapore	86,797	(31,457)	55,340
Thailand	(7)	(3)	(10)
Others	95	(11)	84
Total	87,013	(31,527)	55,486

(b) *Financial risk*

The Company is exposed to financial risk arising from its operations and the use of financial instruments. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The key financial risks include credit risk, liquidity risk, currency risk and interest rate risk.

(i) *Credit risk*

Credit risk is risk of loss that arises when an obligor fails to perform its obligations under a contract or when its ability to perform such obligations is impaired.

Asset concentration risk reflects the additional risk of a high concentration of investments in a single company, group of companies, instrument, industry, geographical area, currency, etc. It is well recognised that diversification of investment portfolio reduces risk.

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(i) *Credit risk (cont'd)*

The following is an overview of how the Company manages its significant credit risk exposure:

Reinsurance

Reinsurance is placed with highly rated reinsurers and concentration of risk is monitored periodically. The Company reviews the creditworthiness of reinsurers before renewing the reinsurance arrangements annually, in accordance to the prevailing reinsurance strategy and guidelines.

Investment securities

The Company limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Company also makes use of institutions with high creditworthiness.

Derivatives

The Company does not enter into derivative contracts.

Insurance receivables

The credit risk in respect of the customer balances incurred on the non-payment of premiums or contributions will only persist during the grace period specified in the policy document.

Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The following table provides information regarding the credit risk exposure of the Company at 31 December 2022 by classifying assets according to credit ratings of the counterparties.

Classification of Credit Rating Agencies

Class	Standard & Poor's	Fitch Inc.	A.M. Best	Moody's
A	AAA to AA-	AAA to AA-	A++ to A+	Aaa to Aa3
B	A+ to A-	A+ to A-	A to A-	A1 to A3
C	BBB+ to BBB-	BBB+ to BBB-	B++ to B+	Baa1 to Baa3
D	BB+ or worse	BB+ or worse	B or worse	Ba1 or worse
	Not Rated	Not Rated	Not Rated	Not Rated

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(i) *Credit risk (cont'd)*

	2022 $'000	2021 $'000
Available-for-sale financial assets	164,681	276,071
Amount owing from holding companies (non-trade)	1,529	574
Amount owing from related companies (non-trade)	648	595
Lease receivables	741	1,177
Trade debtors	33,262	30,850
Other debtors	2,212	2,962
Cash, bank balances and deposits	98,322	96,946
Total financial assets	301,395	409,175

	2022 $'000	2021 $'000
Class		
A	79,742	145,516
B	112,973	120,949
C	36	59
D *	108,644	142,651
Total financial assets	301,395	409,175

* Non-rated debt securities included holdings of debt securities issued by Singapore Statutory Boards amounting to $2.23 million (2021: $12.73 million).

(ii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or counterparty failing on repayment of a contractual obligation or insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The Company is exposed to daily cash calls on its available cash resources mainly from claims arising from short term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls that should be in place to cover these claims.

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(ii) *Liquidity risk (cont'd)*

The table below summarises the maturity profile of the Company's financial assets and liabilities based on undiscounted contractual obligations from the reporting date to the contractual maturity or expected repayment date. For claims liabilities and reinsurer's share of claims liabilities, their maturity profiles are determined based on the estimated timing of net cash outflows on an undiscounted basis.

2022	**Carrying value** $'000	**No maturity date** $'000	**Less than 1 year** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Financial and insurance- related assets						
Available-for-sale financial assets	164,681	10,569	18,430	66,787	95,103	190,889
Cash, bank balances and deposits	98,322	25,168	72,959	–	–	98,127
Amount owing from holding companies (non-trade)	1,529	–	1,529	–	–	1,529
Amount owing from related companies (non-trade)	648	–	648	–	–	648
Trade debtors	33,262	–	33,262	–	–	33,262
Other debtors	2,212	–	2,212	–	–	2,212
Lease receivables	741	–	455	303	–	758
Reinsurers' share of claim liabilities	32,070	–	25,908	2,119	–	28,028
	333,465	35,737	155,403	69,209	95,103	355,453
Financial and insurance- related liabilities						
Amount owing to holding companies (non-trade)	168	–	168	–	–	168
Amount owing to related companies (non-trade)	9	–	9	–	–	9
Trade creditors	32,524	–	32,524	–	–	32,524
Other creditors	18,292	–	18,292	–	–	18,292
Lease liabilities	3,521	–	(948)	4,492	–	3,544
Claim liabilities	97,161	–	72,048	13,351	41	85,440
	141,675	–	122,093	17,843	–	139,977

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(ii) *Liquidity risk (cont'd)*

The Company considers amount owing to holding companies (non-trade) amounting to $167,909 (2021: $48,423), amount owing to related companies (non-trade) amounting to $9,208 (2021: $9,892), trade creditors amounting to $32,523,753 (2021: $27,648,489), other creditors amounting to $19,413,194 (2021: $18,893,059) and lease liabilities amounting to $3,520,717 (2021: $5,701,051) to be financial liabilities valued at amortised cost totalling to $55,634,781 (2021: $52,300,914).

2021	Carrying value $'000	No maturity date $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial and insurance- related assets						
Available-for-sale financial assets	276,071	8,206	70,836	67,430	147,533	294,005
Cash, bank balances and deposits	96,946	35,040	62,013	–	–	97,053
Amount owing from holding companies (non-trade)	574	–	574	–	–	574
Amount owing from related companies (non-trade)	595	–	595	–	–	595
Trade debtors	30,850	–	30,850	–	–	30,850
Other debtors	2,962	–	2,962	–	–	2,962
Lease receivables	1,177	–	455	758	–	1,213
Reinsurers' share of claim liabilities	31,527	–	25,246	2,396	–	27,642
	440,702	43,246	193,531	70,584	147,533	454,894
Financial and insurance- related liabilities						
Amount owing to holding companies (non-trade)	48	–	48	–	–	48
Amount owing to related companies (non-trade)	10	–	10	–	–	10
Trade creditors	27,648	–	27,648	–	–	27,648
Other creditors	17,666	–	17,666	–	–	17,666
Lease liabilities	5,701	–	2,217	3,530	–	5,747
Claim liabilities	87,013	–	64,844	12,254	–	77,098
	138,086	–	112,433	15,784	–	128,217

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(iii) *Currency risk*

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Singapore dollar and the other currencies in which the Company conducts business may affect its financial condition and results of operations. The Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The table below summarises the Company's exposure to currency risk at the end of the year by categorising the net financial assets and liabilities by major currencies.

2022	**Singapore Dollars** $'000	**United States Dollars** $'000	**Thailand Baht** $'000	**Others** $'000	**Total** $'000
Financial and insurance-related assets					
Available-for-sale financial assets	164,681	–	–	–	164,681
Amount owing from holding companies (non-trade)	(18,732)	13,164	119	6,978	1,529
Amount owing from related companies (non-trade)	325	321	(19)	21	648
Trade debtors	14,386	13,525	–	5,351	33,262
Other debtors	2,143	69	–	–	2,212
Lease receivables	741	–	–	–	741
Cash, bank balances and deposits	91,101	6,816	33	372	98,322
Reinsurers' share of claim liabilities	32,021	49	-	-	32,070
Total	286,666	33,944	133	12,722	333,465
Financial and insurance-related liabilities					
Amount owing to holding companies (non-trade)	56	–	–	112	168
Amount owing from related companies (non-trade)	135	(120)	5	(11)	9
Trade creditors	18,905	12,680	45	894	32,524
Other creditors	18,292	19	37	(23)	18,325
Lease liabilities	3,521	–	–	-	3,521
Claim liabilities	97,441	(245)	–	(35)	97,161
Total	138,350	12,334	87	937	151,708

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(iii) *Currency risk (cont'd)*

2021	**Singapore Dollars** $'000	**United States Dollars** $'000	**Thailand Baht** $'000	**Others** $'000	**Total** $'000
Financial and insurance-related assets					
Available-for-sale financial assets	276,071	–	–	–	276,071
Amount owing from holding companies (non-trade)	(6,402)	4,262	49	2,665	574
Amount owing from related companies (non-trade)	476	119	(4)	4	595
Trade debtors	17,030	10,389	95	3,336	30,850
Other debtors	2,890	69	–	3	2,962
Lease receivables	1,177	–	–	–	1,177
Cash, bank balances and deposits	91,712	4,984	25	225	96,946
Reinsurers' share of claim liabilities	31,478	49	–	–	31,527
Total	414,432	19,872	165	6,233	440,702
Financial and insurance-related liabilities					
Amount owing to holding companies (non-trade)	(37)	–	–	85	48
Amount owing from related companies (non-trade)	24	(13)	–	(1)	10
Trade creditors	22,512	4,899	86	151	27,648
Other creditors	17,666	22	40	(28)	17,700
Lease liabilities	5,701	–	–	–	5,701
Claim liabilities	87,293	(245)	–	(35)	87,013
Total	133,159	4,663	126	172	138,120

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(iii) *Currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the USD and THB exchange rates against the functional currency of the Company, with all other variables held constant.

		2022 $'000	2021 $'000
Increase/(decrease) in profit and equity (before tax)			
USD/SGD	- Strengthened 5%	1,075	760
	- Weakened 5%	(1,075)	(760)
THB/SGD	- Strengthened 5%	2	2
	- Weakened 5%	(2)	(2)

(iv) *Interest rate risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of the changes in interest rate.

The Company's exposure to market risk for changes in interest rates arises from surplus funds that are placed with reputable banks and/or invested in bonds and government securities. The exposure to interest rate risk is closely monitored to maximise the returns on these surplus funds.

Sensitivity analysis for interest rate risk

The following table sets out the impact on profit before tax and equity at the reporting date if market interest rates had been 50 (2020: 50) basis points higher/lower with all other variables held constant. The Company believes that the exposure to interest rate changes on its investments in debt securities is limited since the instruments are short to medium term fixed-income debt securities and the intent is to hold to maturity. As such, only the impact of the changes in the interest rates on the Company's fixed deposits are included in the sensitivity analysis table below.

Changes in variables	**Impact on profit before tax** $'000	**Impact on equity*** $'000
2022		
+ 50 basis points	366	304
- 50 basis points	(366)	(304)

24. Management of insurance risk and financial risk (cont'd)

(b) *Financial risk (cont'd)*

(iv) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk (cont'd)

Changes in variables	**Impact on profit before tax** $'000	**Impact on equity*** $'000
2021		
+ 50 basis points	310	257
- 50 basis points	(310)	(257)

* Impact on equity is after tax.

(v) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or foreign currency exchange rates). The Company is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as available-for-sale financial assets. The Company does not have exposure to commodity price risk.

The Company's objective is to manage investment returns and equity price risk using investment grade shares with steady dividend yields. The Company's policy is to limit its interest in the available-for-sale equity shares to 5% (2021: 5%) of its entire investment portfolio.

Sensitivity analysis for equity price risk

At the balance sheet date, if the market prices of the equity investments had been 5% (2021: 5%) higher/lower with all other variables held constant, the Company's fair value adjustment reserve (net of tax) would increase/decrease by $ 438,620 (2021: $340,562) arising mainly as a result of a increase/decrease in the fair value of equity securities classified as available-for-sale.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

(vi) *Concentration risk*

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Company's exposures are within the concentration limits set by the local regulators.

24. Management of insurance risk and financial risk (cont'd)

(c) *Fair value of financial instruments*

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Unquoted equity shares are valued based on unobservable data (i.e., net tangible assets from financial statements).

(d) *Offsetting financial assets and liabilities*

The Company has a legally enforceable right to set off the insurance receivables and payables with its policy holders/claimants, intermediaries and reinsurers and intends to settle on a net basis. The following table present the recognised financial instruments that are offset as at 31 December 2022 and 2021.

	Gross carrying amounts before offsetting $'000	**Amounts offset** $'000	**Net amounts presented in the balance sheet** $'000
2022			
Trade debtors	33,979	(718)	33,262
Trade creditors	33,242	(718)	32,524
2021			
Trade debtors	32,208	(1,358)	30,850
Trade creditors	29,006	(1,358)	27,648

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities*

Assumptions

One of the principal assumptions underlying the estimated claim liability is that future claims development can be approximated by historical experience. This includes assumptions in respect of claim development factors and initial expected loss ratios for past accident/underwriting years. Direct claims handling costs and future claims inflation are implicitly assumed in the valuation methods. Indirect claims handling expenses are derived based on the Company's management expenses over the past years. Actuarial judgment is used to assess the extent to which large claims, reinsurance recoveries, as well as the Company's internal underwriting and claim handling policies affect the estimates.

Other assumptions include the discount rate and the provision for adverse deviation.

Ultimate claim cost development

(i) The tables on pages 76 to 77 show the actuary's best estimate of the gross and net of reinsurance ultimate claims cost for each accident/underwriting year at yearly intervals together with actual cumulative claim payments for each accident/underwriting year as at 31 December 2022.

(ii) Ultimate claim costs are then compared to actual cumulative claim payments for each accident/underwriting year as at 31 December 2022 to arrive at the best estimate of claim liability as at 31 December 2022.

(iii) With the addition of a provision for adverse deviation ("PAD"), the outstanding claim liabilities are reconciled to the outstanding claim liabilities as per the actuarial valuation of policy liabilities as at 31 December 2022.

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities (cont'd)*

Gross incurred losses development table

Gross of reinsurance basis ($'000)

Estimate of cumulative incurred claims[1] Period[2]	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of year	48,678	1,412,215	50,615	69,173	81,647	72,394	63,765	62,259	68,944	68,723	49,032	54,181	81,938	
One year later	53,390	1,414,896	60,490	70,407	87,895	67,678	62,501	64,923	75,760	74,780	55,424	60,697		
Two years later	50,916	1,257,145	58,234	65,900	84,029	61,839	59,912	63,340	79,064	73,938	55,386			
Three years later	67,084	1,243,228	54,017	61,509	76,413	56,289	55,281	62,563	77,461	78,303				
Four years later	66,165	1,238,744	52,665	55,865	71,224	54,355	54,673	66,405	76,822					
Five years later	64,045	1,237,436	50,667	54,629	70,584	54,206	54,183	61,244						
Six years later	63,945	1,234,675	50,216	54,342	70,209	54,006	53,824							
Seven years later	63,922	1,233,655	50,168	54,253	70,110	53,832								
Eight years later	51,546	1,233,398	49,884	54,080	70,143									
Nine years later	51,538	1,233,389	49,863	53,960										
Ten years later	50,508	1,233,389	49,881											
Eleven years later	50,524	1,233,380												
Twelve years later	50,524													
Cumulative payments	50,515	1,233,186	49,718	53,937	69,518	53,589	53,343	56,939	72,096	63,799	45,020	48,920	43,956	1,894,535
Best estimate for claims liability (net of unearned & add CHE)	9	194	163	24	625	243	481	4,305	4,727	14,505	10,366	11,776	37,982	85,400
Reserve for years prior to AY/UY2010														10
Discounting for time value														-517
Provision for adverse deviation														12,176
Outstanding claim liability														97,098
Ex-Nipponkoa Outstanding claim liability														63
Total Outstanding claim liability in accounts														97,161

(1) The Ex-Nipponkoa Run-off Portfolio is excluded from the claim development triangle as it has zero net impact. All figures in triangle are incurred amounts except for the latest diagonal which reflects ultimate claim amounts including claim handling expense.
(2) Refers to accident year for all classes except OIF Treaty where an underwriting year is used.

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities (cont'd)*

Net incurred losses development table

Net of reinsurance basis ($'000)

Estimate of cumulative incurred claims[1] Period[2]	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of year	30,994	312,839	31,933	36,744	49,404	46,288	44,463	49,359	54,827	51,978	36,002	35,526	42,397	
One year later	37,612	317,443	36,716	36,444	54,847	41,648	41,961	48,596	56,142	53,324	38,132	36,506		
Three years later	34,040	262,307	31,550	30,950	44,869	35,919	37,588	46,671	52,949	51,543				
Four years later	32,920	260,741	30,185	29,027	43,146	34,761	37,116	46,173	52,301					
Five years later	32,391	259,799	29,361	28,373	43,362	34,611	37,093	45,224						
Six years later	31,889	259,130	29,011	28,093	43,249	34,407	36,417							
Seven years later	31,671	258,222	28,998	28,010	43,267	34,241								
Eight years later	32,244	257,808	29,143	28,181	43,022									
Nine years later	33,044	257,789	28,529	27,916										
Ten years later	32,843	257,788	27,916											
Eleven years later	32,853	257,971												
Twelve years later	32,853													
Thirteen years later														
Cumulative payments	32,853	257,771	28,806	27,892	42,825	34,094	36,174	42,951	49,011	44,664	30,956	27,281	13,756	669,034
Best estimate for claims liability (net of unearned & add CHE)	0	200	115	24	196	147	243	2,273	3,290	6,879	6,148	9,225	28,641	57,382
Reserve for years prior to AY/UY2008														10
Discounting for time value														-423
Provision for adverse deviation														8,102
Outstanding claim liability in accounts														65,091

(1) The Ex-Nipponkoa Run-off Portfolio is excluded from the claim development triangle as it has zero net impact. All figures in triangle are incurred amounts except for the latest diagonal which reflects ultimate claim amounts including claim handling expense.
(2) Refers to accident year for all classes except OIF Treaty where an underwriting year is used.

24. Management of insurance risk and financial risk (cont'd)

(e) ***Insurance contract liabilities - assumptions and sensitivities (cont'd)***

Sensitivity analysis

(i) The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the net of reinsurance actuarial valuation of outstanding claim and premium liabilities as at 31 December 2022. In this context, the outstanding claim and premium liabilities are defined as the total claim and premium liabilities for the Singapore Insurance Fund business and Offshore Insurance Fund business combined respectively, including provision for adverse deviation (these are referred to as "the base scenario" in the sensitivity analysis summary).

(ii) The key assumptions considered in the sensitivity analysis of the claim liabilities include a 5 percentage point increase or decrease in:

- the assumed ultimate loss ratio for each class of business in the 2022 accident/underwriting year;
- the assumed level of indirect claim handling expenses; and
- the assumed PAD factor for each class of business.

(iii) The key assumptions considered in the sensitivity analysis of the premium liabilities include a 5 percentage point increase or decrease in:

- the assumed expected loss ratio for each class of business in the 2022 accident/underwriting year;
- the assumed level of policy administration expenses for each class of business; and
- the assumed PAD factor for each class of business.

(iv) The sensitivity analysis is based on the assumptions set out in the actuarial report and is subject to the same reliance and limitations contained in the report.

(v) The sensitivity values shown for each assumption item are independent of changes to other assumption items. In practice a combination of adverse and favourable changes could occur.

(vi) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities (cont'd)*

2022

Percentage change in claims liability sensitivity analysis

Assumption	Gross of reinsurance +5%[1]	Gross of reinsurance -5%[1]
Reported total actuarial claims liability ($'000)	95,742	
Ultimate loss ratio[2]	4.63%	-4.63%
Indirect claim handling expenses	0.22%	-0.22%
Provision for adverse deviation	0.57%	-0.57%

Percentage change in premium liability sensitivity analysis

Assumption	Gross of reinsurance +5%[1]	Gross of reinsurance -5%[1]
Reported total actuarial premium liability ($'000)	72,695	
Expected loss ratio[2]	0.00%	0.00%
Policy administration cost	0.00%	0.00%
Provision for adverse deviation	0.00%	0.00%

Percentage change in claims liability sensitivity analysis

Assumption	Net of reinsurance +5%[1]	Net of reinsurance -5%[1]
Reported total actuarial claims liability ($'000)	63,671	
Ultimate loss ratio[2]	3.71%	-3.65%
Indirect claim handling expenses	0.36%	-0.36%
Provision for adverse deviation	0.52%	-0.52%

Percentage change in premium liability sensitivity analysis

Assumption	Net of reinsurance +5%[1]	Net of reinsurance -5%[1]
Reported total actuarial premium liability ($'000)	42,372	
Expected loss ratio[2]	0.00%	-0.00%
Policy administration cost	0.00%	-0.00%
Provision for adverse deviation	0.00%	-0.00%

(1) Sensitivity analysis assesses impact of a +/- 5% change in assumption.
(2) Loss ratio sensitivity analysis applies to 2022 accident/underwriting year.
(3) The assumed change is on a relative basis, rather than on an absolute or additive basis.

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities (cont'd)*

2021

Percentage change in claims liability sensitivity analysis

Assumption	Gross of reinsurance +5%[1]	Gross of reinsurance -5%[1]
Reported total actuarial claims liability ($'000)	86,334	
Ultimate loss ratio[2]	3.91%	-3.91%
Indirect claim handling expenses	0.21%	-0.21%
Provision for adverse deviation	0.57%	-0.57%

Percentage change in premium liability sensitivity analysis

Assumption	Gross of reinsurance +5%[1]	Gross of reinsurance -5%[1]
Reported total actuarial premium liability ($'000)	68,128	
Expected loss ratio[2]	0.00%	0.00%
Policy administration cost	0.00%	0.00%
Provision for adverse deviation	0.00%	0.00%

Percentage change in claims liability sensitivity analysis

Assumption	Net of reinsurance +5%[1]	Net of reinsurance -5%[1]
Reported total actuarial claims liability ($'000)	54,807	
Ultimate loss ratio[2]	3.95%	-3.88%
Indirect claim handling expenses	0.37%	-0.37%
Provision for adverse deviation	0.53%	-0.53%

Percentage change in premium liability sensitivity analysis

Assumption	Net of reinsurance +5%[1]	Net of reinsurance -5%[1]
Reported total actuarial premium liability ($'000)	38,985	
Expected loss ratio[2]	0.00%	-0.00%
Policy administration cost	0.00%	-0.00%
Provision for adverse deviation	0.00%	-0.00%

(1) Sensitivity analysis assesses impact of a +/- 5% change in assumption.
(2) Loss ratio sensitivity analysis applies to 2021 accident/underwriting year.
(3) The assumed change is on a relative basis, rather than on an absolute or additive basis.

24. Management of insurance risk and financial risk (cont'd)

(e) *Insurance contract liabilities - assumptions and sensitivities (cont'd)*

Liability adequacy test

The following table compares the actuarial estimate of the gross and net of reinsurance insurance policy liabilities of the Company with the Company's actual held policy liability provisions as at 31 December 2022 and 2021.

2022	**Gross** $'000	**Net** $'000
Actuarial estimate of outstanding claim liabilities including provision for adverse deviation	95,742	63,671
Actuarial estimate of premium liabilities including provision for adverse deviation	72,695	42,372
Total actuarial estimate of policy liabilities including provision for adverse deviation	168,437	106,043
Comparing to:		
Company held provision for outstanding claim liabilities	97,161	65,091
Company held provision for premium liabilities	73,921	43,598
Total Company held provision for policy liabilities	171,082	108,689

2021		
Actuarial estimate of outstanding claim liabilities including provision for adverse deviation	86,334	54,807
Actuarial estimate of premium liabilities including provision for adverse deviation	68,128	38,985
Total actuarial estimate of policy liabilities including provision for adverse deviation	154,462	93,792
Comparing to:		
Company held provision for outstanding claim liabilities	87,013	55,485
Company held provision for premium liabilities	70,354	41,211
Total Company held provision for policy liabilities	157,367	96,696

25. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating in order to:

- safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- retain financial flexibility by maintaining strong liquidity; and
- maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

Capital includes equity attributable to the owners of the Company less the fair value adjustment and amalgamation reserves. The Company has no borrowings, contingent liabilities and loan capital as at 31 December 2022. There was no change in the Company's capital management objectives, policies and processes during the years ended 31 December 2022 and 31 December 2021.

The operations of the Company are subject to regulatory requirements in Singapore. Such regulations impose restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance company to meet unforeseen liabilities as these arise.

The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act (Chapter 142). The Company monitors its capital level on a regular basis to assess whether such requirements have been met, and reports to MAS its fund solvency and capital adequacy positions at each quarter and as well as annually. The Company complied with the above mentioned solvency and capital adequacy requirements during the years ended 31 December 2022 and 2021.

26. COVID-19 pandemic

The duration and extent of the pandemic and related financial, social and public health impacts remain uncertain. Disclosures have been included in Notes 2 and 21 to the financial statements on the impact that this uncertainty has had on the financial position of the Company.

No matters have arisen since the end of the year which have significantly affected, or may significantly affect, the financial position of the Company as at 31 December 2022.

27. Events after the reporting period

On 22 March 2023, the Company's management proposed a dividend of 3.6949 cents per share for approval by the Board of Directors.