Annual Report

MSIG INSURANCE (SINGAPORE) PTE. LTD.

Co. Reg. No. 200412212G

31 December 2022

General Information and Contents

Directors

Clemens Philippi	(appointed on 1 May 2022)
Shintaro Shimada	(appointed on 1 May 2022)
Eng Lip Chian Mack	(appointed on 1 January 2022)
Takahiro Sawada	
Christopher Ho Siow Soong	
Ng Lak Chuan	
Tan Piak Gek	

Company Secretary

Chan Lai Yin
Chan Wan Mei

Registered Office

4 Shenton Way
#21-01 SGX Centre 2
Singapore 068807

Auditors

KPMG LLP

Bankers

DBS Bank Ltd
Hong Kong and Shanghai Banking Corporation
Citibank N.A.
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation

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Directors' Statement

The directors are pleased to present their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2022.

We, Clemens Philippi and Eng Lip Chian Mack, being two of the directors of MSIG Insurance (Singapore) Pte. Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flow together with notes thereto 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 ended on that date in accordance to provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

(ii) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

1. Directors

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

Clemens Philippi
Shintaro Shimada
Eng Lip Chian Mack
Takahiro Sawada
Christopher Ho Siow Soong
Ng Lak Chuan
Tan Piak Gek

2. Arrangements to enable directors to acquire shares and debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares and debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Shintaro Shimada		
MS&AD Insurance Group Holdings, Inc.		
- Options in shares interest held	752.732	791.786

4. Share options

There were no share options granted by the Company to any person to take up unissued ordinary shares of the Company.

No shares have been 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 31 December 2022.

5. Auditors

The auditors, KPMG LLP, have indicated their willingness to accept reappointment.

On behalf of the Board of Directors,

DocuSigned by:
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Clemens Philippi
Director

DocuSigned by:
D082E64D33ED4B7...

Eng Lip Chian Mack
Director

Singapore
30 March 2023

KPMG LLP
12 Marina View #15-01
Asia Square Tower 2
Singapore 018961

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Member of the Company
MSIG Insurance (Singapore) Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of MSIG Insurance (Singapore) Pte. Ltd. ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 61.

In our opinion, the accompanying financial statements 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 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 '*Auditors' 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 *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 the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement prior to the date of this auditors' report.

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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2023

Statement of profit or loss
Year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Gross premiums written		307,896	272,321
Reinsurance premiums ceded		(109,276)	(99,349)
Net premiums written		198,620	172,972
Movement in net unearned premium reserves	11	(7,679)	7,547
Movement in net deferred acquisition costs	10	(289)	(1,407)
		(7,968)	6,140
Net premiums earned		190,652	179,112
Gross claims paid	12	(114,119)	(106,243)
Reinsurance claims recoveries	12	44,656	29,634
Net claims paid	12	(69,463)	(76,609)
Movement in net loss reserves	12	(3,055)	13,876
Net claims incurred	12	(72,518)	(62,733)
Gross commission expense		(40,282)	(37,936)
Reinsurance commission income		17,847	16,367
Net commission expense		(22,435)	(21,569)
Operating and administrative expenses	3	(87,399)	(89,335)
Underwriting profit		8,300	5,475
Net investment income	5	12,635	13,444
Interest income on fixed deposits		1,235	284
Gain on sale of property and equipment		8	6
Miscellaneous income		747	262
Provision of impairment loss on receivables		(293)	(243)
Profit before income tax		22,632	19,228
Income tax expense	6	(1,421)	(3,681)
Profit for the year		21,211	15,547

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

Statement of comprehensive income
Year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Profit for the year		21,211	15,547
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefits remeasurements	4	–	(14)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(29,406)	(11,421)
Income tax relating to components of other comprehensive income	18	4,999	1,944
Other comprehensive income for the year, net of tax		(24,407)	(9,491)
Total comprehensive income for the year attributable to the owner of the Company		(3,196)	6,056

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

Statement of financial position
As at 31 December 2022

	Note	2022 $'000	2021 $'000
Non-current assets			
Intangible assets	7	134,978	134,978
Property and equipment	8	13,706	4,581
Available-for-sale investments	9	408,872	424,401
Deferred tax assets	18	3,610	–
Reinsurers' share of technical reserves:			
Loss reserves	12	18,674	24,607
		579,840	588,567
Current assets			
Deferred acquisition costs	10	18,344	17,330
Reinsurers' share of technical reserves:			
Unearned premium reserves	11	36,627	34,596
Loss reserves	12	78,341	81,713
Cash and cash equivalents	13	129,499	129,592
Insurance receivables	14	46,941	45,947
Loans and other receivables	15	6,265	4,840
		316,017	314,018
Total assets		895,857	902,585
Shareholder's equity			
Share capital	19	333,442	333,442
Reserves		85,121	103,857
Total equity attributable to equity holder of the Company		418,563	437,299
Current liabilities			
Reinsurers' share of deferred acquisition cost	10	8,000	6,697
Gross technical reserves:			
Unearned premium reserves	11	131,228	121,518
Loss reserves	12	193,203	188,686
Insurance payables	16	44,835	43,855
Current tax payables		10,347	12,474
Other payables	17	32,977	28,154
Lease liabilities	24	4,233	3,183
		424,823	404,567
Non-current liabilities			
Other payables	17	2,080	1,997
Deferred tax liabilities	18	–	773
Gross technical reserves:			
Loss reserves	12	46,053	56,820
Lease liabilities	24	4,338	1,129
		52,471	60,719
Total liabilities		477,294	465,286
Total equity and liabilities		895,857	902,585

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

Statement of changes in equity
Year ended 31 December 2022

	Note	Share capital $'000	Available-for-sale reserves $'000	Retained earnings $'000	Total $'000
At 1 January 2021		333,442	18,861	101,490	453,793
Total comprehensive income for the year					
Profit for the year		–	–	15,547	15,547
Other comprehensive income					
Defined benefit measurement		–	–	(14)	(14)
Net change in fair value of available-for-sale financial assets		–	(11,421)	–	(11,421)
Income tax relating to components of other comprehensive income	18	–	1,942	2	1,944
Other comprehensive income for the year, net of tax		–	(9,479)	(12)	(9,491)
Total comprehensive income for the year		–	(9,479)	15,535	6,056
Transactions with owner, recorded directly in equity					
Contributions by and distributions to owner					
Dividends on ordinary shares		–	–	(22,550)	(22,550)
Total transactions with owner		–	–	(22,550)	(22,550)
At 31 December 2021		333,442	9,382	94,475	437,299

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

Statement of changes in equity
Year ended 31 December 2022

	Note	Share capital $'000	Available-for-sale reserves $'000	Retained earnings $'000	Total $'000
At 1 January 2022		333,442	9,382	94,475	437,299
Total comprehensive income for the year					
Profit for the year		–	–	21,211	21,211
Other comprehensive income					
Defined benefit measurement		–	–	–	–
Net change in fair value of available-for-sale financial assets		–	(29,406)	–	(29,406)
Income tax relating to components of other comprehensive income	18	–	4,999	–	4,999
Other comprehensive income for the year, net of tax		–	(24,407)	–	(24,407)
Total comprehensive income for the year		–	(24,407)	21,211	(3,196)
Transactions with owner, recorded directly in equity					
Contributions by and distributions to owner					
Dividends on ordinary shares		–	–	(15,540)	(15,540)
Total transactions with owner		–	–	(15,540)	(15,540)
At 31 December 2022		333,442	(15,025)	100,146	418,563

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

Statement of cash flow
Year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit for the year		21,211	15,547
Adjustments for:			
Amortisation of net premium paid on bonds	5	1,882	2,027
Depreciation of property and equipment	3	8,389	6,106
Increase in reinsurers' share of technical reserves		8,577	(17,014)
Decrease in gross technical reserves		2,446	(3,002)
Dividend received from shares	5	(3,914)	(1,776)
Interest income on fixed deposits		(1,235)	(284)
Interest income from government and corporate bonds	5	(8,716)	(8,602)
Interest on lease liabilities	24	236	420
Provision for impairment of equities	5	1,180	–
Realised gain on available-for-sale investments	5	(3,585)	(2,822)
Gain on sale of property and equipment		(7)	(6)
Tax expense		1,421	3,681
Operating profit/(loss) before working capital changes		27,885	(5,725)
Changes in working capital:			
(Increase)/decrease in related parties and other receivables		(1,095)	26
Increase in insurance receivables		(994)	(1,354)
Increase in insurance payables		980	1,702
Increase in other payables		4,906	723
Cash from/(used in) operations		31,682	(4,628)
Interest income received from fixed deposits		1,081	303
Income taxes		(2,932)	(1,880)
Net cash flows from/(used in) operating activities		29,831	(6,205)
Cash flows from investing activities			
Dividend income received		3,914	1,776
Interest income received from government and corporate bonds		8,540	8,755
Purchase of available-for-sale investments		(168,606)	(215,981)
Purchase of property and equipment	8	(7,767)	(755)
Proceeds from disposal of property and equipment		8	1
Proceeds from sale and redemption of available-for-sale investments		155,252	219,113
Net cash flows (used in)/from investing activities		(8,659)	12,909
Cash flows from financing activities			
Lease payment	24	(5,725)	(6,073)
Dividends paid	19	(15,540)	(22,550)
Net cash flows used in financing activities		(21,265)	(28,623)
Net decrease in cash and cash equivalents		(93)	(21,919)
Cash and cash equivalents at the beginning of the year		129,592	151,511
Cash and cash equivalents at the end of the year	13	129,499	129,592

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is a limited liability company domiciled and incorporated in Singapore. Its immediate holding company is Mitsui Sumitomo Insurance Co., Ltd, incorporated in Japan. The Company's ultimate holding company is MS&AD Insurance Group Holding, Inc, incorporated in Japan. The address of the Company's registered office is:

MSIG Insurance (Singapore) Pte. Ltd.
4 Shenton Way
#21-01 SGX Centre 2
Singapore 068807

The principal activities of the Company consist of the underwriting of general insurance risks.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") as required by the Companies Act 1967.

The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of available-for-sale investment securities.

The financial statements are presented in Singapore dollars ("$"), the functional currency of the Company, and rounded to the nearest thousand ("$'000"), except where otherwise indicated.

The accounting policies applied by the Company are consistent with those used in the previous financial year.

(b) New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2022:

- Amendments to FRS 116: COVID-19 *Related Rent Concessions beyond 30 June 2021*
- Amendment to FRS 6: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amended to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018-2020

The application of these amendments to standards and interpretations do not have a material effect on the financial statements.

(c) Use of estimates, assumptions and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The key assumptions concerning the future and other key sources of uncertainty in estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's goodwill at 31 December 2022 was $134,978,000 (2021: $134,978,000). More details are given in note 7.

(ii) Determination of insurance contract liabilities

The insurance contract liabilities of the Company comprise the claim liabilities and premium liabilities. Claim liabilities consist of outstanding claims notified and outstanding claims incurred but not reported ("IBNR") while premium liabilities consist of the unearned premium reserves, net of deferred acquisition costs and their values are carried in the statement of financial position as disclosed in Notes 10, 11 and 12 to the financial statements.

The principal methods used to determine the Best Estimate of the claim liabilities are the Chain Ladder methods, namely Incurred Claim Development Method and Average Cost per Reported Claim Method.

The Chain Ladder methods involve the analysis of historical claim development and the selection of estimated development based on this historical pattern.

The Best Estimate of the premium liabilities has been calculated by applying a future loss and expense ratio to the accounted unearned premium reserve. The future loss ratio is set with reference to observed loss ratios, adjusted for the effect of recent changes to premium rates, underwriting terms and policy terms.

The Provision for Adverse Deviation is determined in accordance with methods identified by actuaries, Tillinghast – Towers Perrin in a research note produced for the Institute of Actuaries of Australia (Research and Data Analysis relevant to the Development of Standards and Guidelines on Liability Valuation for General Insurance). This formula approach takes into account the size and nature of the business, so larger accounts and shorter tailed classes of business will require a smaller risk margin than smaller accounts and longer tailed classes of business.

Direct, Facultative and Treaty businesses are not modelled separately because there is insufficient volume of data to support a credible separate analysis.

Similarly, Onshore and Offshore Insurance funds have not been analysed separately as the Offshore portfolio is small and there is insufficient data to support separate credible analysis.

The Company considers the claim liabilities net of reinsurance in its valuation of reserves.

The actuarial review is based on Group accounting class definitions rather than Statutory class definitions. This makes it easier to compare the valuation results to its accounted figures. It also allows analysis of some classes to be performed in more detail, which will improve the accuracy of the valuation. The resulting reserves have been allocated to Statutory classes based on outstanding reserves for claim liabilities and unearned premium reserves for premium liabilities.

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties as disclosed in note 22(d) to the financial statements. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

(d) Product classification

The Company issues contracts that transfer insurance risk. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

(e) Revenue recognition

(i) Premium income

Premium income on direct and facultative insurance business is recognised at the time a policy is issued, which approximates the inception date of the risk. Premium income on treaty business is accounted for based on treaty statements received up to the time of closing of the books.

(ii) Investment income

Dividend income on securities is recognised on a receipt basis while interest income is recognised on an accrual basis.

(f) Insurance contract liabilities

(i) Loss reserves

Provision is made for the full estimated cost less reinsurance recoveries of all claims notified, but not settled at the reporting date using the best information available at the time. Provision is also made for the estimated cost of claims incurred but not reported ("IBNR") until after the year-end. The primary technique adopted by management in estimating the cost of IBNR claims is that of using past claim settlement trends to predict future claims settlement trends. Further details of the claims estimation process are described in note 2(b)(ii). At each reporting date, prior year's claims estimates are reassessed for adequacy and changes are made to the provision. Additional provision may be made by management as deemed necessary.

General insurance claims provisions are not discounted for the time value of money. Any difference between the estimated cost and subsequent settlement is dealt with in the profit or loss statement of the year in which settlement takes place.

(ii) Unearned premium reserves

The unearned premium reserve for direct and facultative business (other than marine cargo business), is calculated based on the 1/365th method on written premiums during the year. The unearned premium reserve for marine cargo business is calculated based on the 1/180th method on written premiums. The unearned premium reserve for treaty business is calculated at 25% to 40% of written premiums as per contractual agreements.

Provision is made for unexpired risks where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premium reserves in relation to such policies. At each reporting date, the provision of the unearned premium reserves are assessed for adequacy and changes are made to the provision. Additional provision may be made by management as deemed necessary.

(iii) Deferred acquisition costs

Commission and other acquisition costs incurred during the financial year that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relate to subsequent financial years, are deferred to the extent that they are recoverable out of future revenue margins.

Deferred acquisitions costs ("DAC") are calculated using the 1/365th method on actual commission for direct and facultative business (other than marine cargo business). DAC for marine cargo business is calculated on the 1/180th method.

(iv) *Liability adequacy test*

Insurance contracts are tested for adequacy by comparing current estimates of all future contractual cashflows with the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in the profit or loss for the year.

(g) Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

(h) Investments

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, these assets are re-measured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously reported in equity is included in the profit or loss.

Regular way purchases and sales of investments are recognised on trade date – the date on which 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 time frame generally established by regulation or convention in the market place.

(i) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised in the profit or loss statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of the property and equipment. The annual rates used for this purpose are:

Equipment	-	3 years
Furniture and fittings	-	3 years

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where there is impairment in the carrying amount of property and equipment, a provision is made to write down the assets to their estimated recoverable amount based on current market value. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged had the provision not been made.

(j) Insurance receivables and payables

Insurance receivables and payables are recognised initially on the date they are originated. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivables or payables. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Bad debts are written off when identified and specific allowances for impairment are made for these receivables considered to be doubtful.

(k) Loans and other receivables

Loans and other receivables include amounts due from related companies which are accounted for as loans and receivables under FRS 39. These are measured at amortised cost using the effective interest method or cost if the effect of amortisation is not material, less an allowance for doubtful receivables on any uncollectible amounts.

(l) Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(m) Functional and foreign currencies

(i) Functional currency

Items included in the financial statements of each entity in the Company, comprising the Company, are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency").

The functional currency of the Company is the Singapore dollar. As premiums and claims are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company.

(ii) Foreign currency transactions and balances

Monetary amounts payable and receivable in foreign currencies are translated to Singapore dollars at exchange rates prevailing at the reporting date; transactions in foreign currencies during the year are recorded in Singapore dollars at exchange rates prevailing at transaction dates. All exchange differences are recorded in the profit or loss statement.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale investment reserve in equity.

(n) Income tax

Tax expense comprises current and deferred tax. Current taxation is provided in the financial statements on the chargeable income for the year.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Deferred taxation is recognised using the balance sheet method providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

(o) Employee benefits

Defined contribution plan

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, as required by law in Singapore, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). Contributions to CPF and other defined contribution plans are recognised in staff costs and other employee related costs in the same period as the employment that gives rise to the contributions.

Employees' leave entitlement

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to reporting date.

Retirement gratuity

The Company operates a non-contributory, defined benefit pension scheme that provides retirement benefits for certain of its employees. There are no specific plan assets to fund the retirement gratuity scheme. The cost of providing the benefit under the scheme is assessed using the projected unit credit method and is charged to the profit or loss statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the scheme at no more than 3 yearly intervals (the latest valuation was done on 25 November 2021).

Actuarial gains and losses are immediately recognised in the statement of comprehensive income.

(p) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, fixed deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(q) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair values of the net assets acquired at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any.

The carrying amount of goodwill for each cash-generating unit is written down for impairment where the net present value of the forecasted future cash flows of the business is insufficient to support its carrying value.

(r) Impairment of financial assets

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. In assessing the impairment provision for equity shares, management evaluates whether there is a significant or prolonged decline in the fair value of equity shares held as available-for-sale. Impairment provision is made when the fair value of an equity investment falls below 20% or more from its acquisition costs or if the fair value of the investment is below cost for more than 12 months. Any impairment loss is recognised in the profit or loss. Reversals of impairment loss in respect of equity securities are not recognised in the profit or loss.

In line with the group accounting policy, for bond investments, impairment provision will be made if the fair value of a debt security decreases by 20% or more of its acquisition cost, except for cases where the decrease in fair value is due to an increase in risk-free rate. Reversals of impairment losses on debt securities are reversed through the profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss.

(s) 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(t) Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the weighted average cost of capital as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in current and non-current liabilities in the statement of financial position.

(u) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis. Grants that compensate the Company for expenses incurred are recognised in profit or loss and set off against the expenses incurred on a systematic basis in the same periods in which the expenses are recognised.

(v) Key management personnel

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors, the chief executive officer and certain executive officers are considered as key management personnel of the Company.

(w) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 25.

3. Operating and administrative expenses

	2022 $'000	2021 $'000
Salaries, CPF & pension costs (Note 4) [1]	41,868	44,644
Other staff costs	7,052	7,467
Depreciation of property and equipment	8,389	6,106
Advertising and subscription	3,297	2,574
Printing and stationery	269	374
Computer charges	2,142	1,950
Travelling expenses	176	173
Other expenses [1]	24,206	26,047
	87,399	89,335

(1) Included SAP project costs of $9.7m (2021: $11.3m) and FRS 117 project costs of $0.5m (2021: $1.1m)

4. Salaries, CPF and pension costs (including executive directors)

	2022 $'000	2021 $'000
Salaries and short-term employee benefits	37,098	39,613
Employer's contribution to CPF	4,711	4,733
Other pension costs	59	298
	41,868	44,644

Salaries and short-term employee benefits include Job Support Scheme credit of $Nil (2021: $0.8m).

The Company operates a non-contributory, defined benefit pension scheme that provides retirement benefits for certain of its employees. As the defined benefit expenses are not material to the total staff costs of the Company, additional disclosures of the defined benefit pension scheme are not disclosed.

Retirement gratuity

Reconciliation of present value of the defined benefit obligation:

	2022 $'000	2021 $'000
Present value of the defined benefit obligation at start of year	1,997	1,889
Current service cost	69	65
Interest cost	14	29
Net actuarial gains arising during the year	–	14
	2,080	1,997

Expenses recognised in profit or loss:

	2022 $'000	2021 $'000
Current service cost	69	65
Interest cost	14	29
	83	94

Remeasurements recognised in other comprehensive income:

	2022 $'000	2021 $'000
Actuarial losses / (gains):		
Due to change in financial assumptions:		
Change in discount rate	–	70
Due to experience adjustments	–	(56)
Measurement of net defined benefit liability	–	14

5. Net investment income

	2022 $'000	2021 $'000
Interest income from government and corporate bonds	8,716	8,602
Dividend received from shares	2,224	1,776
Dividend from collective investment scheme	1,690	2,080
Realised gain on available-for-sale investments	3,585	2,822
Provision for impairment of equities	(1,180)	–
Amortisation of net premium paid on bonds	(1,882)	(2,027)
Investment expenses	(640)	(629)
Realised and unrealised exchange gain	122	820
	12,635	13,444

6. Income tax expense

(a) Major components of income tax expense

The major components of income tax are as follows:

(i) Profit or loss

	2022 $'000	2021 $'000
Current tax expense		
Current year	4,224	3,792
Overprovision in respect of prior years	(3,419)	–
	805	3,792
Deferred tax expense		
Current year	614	(114)
Overprovision in respect of prior year	2	3
	616	(111)
Income tax expense	1,421	3,681

(ii) Statement of changes in equity

	2022 $'000	2021 $'000
Deferred income tax related to items charged or credited directly to equity:		
Net change in fair value adjustment reserve for available-for-sale investments and retirement gratuity (note 18)	(4,999)	(1,944)
Income tax expense recognised in equity	(4,999)	(1,944)

(b) *Reconciliation of effective tax rate*

	2022 $'000	2021 $'000
Profit before income tax	22,632	19,228
Tax calculated using Singapore tax rate of 17% (2021: 17%)	3,847	3,269
Effects of:		
Non-deductible expenses	864	208
Tax concession on income from offshore insurance fund	126	201
	4,837	3,678
Overprovision in respect of prior year	(3,416)	3
	1,421	3,681

The tax expense for the Company for the year ended 31 December 2022 has been computed at the rate of 17%, being the corporate tax rate in effect as at that date.

7. Intangible assets

	Goodwill $'000
Cost	
At 1 January 2021 / 31 December 2021 / 31 December 2022	134,978
Net carrying amounts	
At 1 January 2021	134,978
At 31 December 2021	134,978
At 31 December 2022	134,978

Impairment testing of goodwill

When testing for impairment, the recoverable amount of the cash-generating-unit ("CGU") is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management. Cash flows beyond the budget period are extrapolated using estimated growth rates.

If the carrying amount of the unit exceeds the recoverable amount of the CGU, the Company shall recognise the impairment loss in the profit or loss. The goodwill of $134,978,000 (2021: $134,978,000) arising from the acquisition of the general insurance business of Aviva Ltd in Singapore was tested for impairment and no impairment loss was deemed necessary.

Where the future income stream from the CGU is uncertain, the excess of the acquisition cost over the fair value of the net assets acquired is written off to the profit or loss.

Key assumptions used in the value in use calculations on which management has based its cash flow projections to undertake impairment testing of goodwill are:

Long-term growth rate	3%	(2021: 3.00%)
Discount rate	9.97%	(2021: 8.57%)

Sensitivity analysis

Management has identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2022	2021
	%	**%**
Discount rate	2.94	3.56

8. Property and equipment

	Equipment $'000	Furniture and fittings $'000	Leased equipment $'000	Leasehold improve-ments $'000	Leased vehicles $'000	Total $'000
Cost						
At 1 January 2021	6,593	3,915	992	16,904	894	29,298
Additions	755	–	–	633	130	1,518
Disposals	(295)	–	(20)	(600)	(72)	(987)
At 31 December 2021	7,053	3,915	972	16,937	952	29,829
Additions	4,333	3,434	–	9,848	–	17,615
Disposals	(761)	(12)	(106)	(10,668)	(81)	(11,628)
At 31 December 2022	10,625	7,337	866	16,117	871	35,816
Accumulated depreciation						
At 1 January 2021	6,063	3,899	418	9,405	330	20,115
Depreciation for the year	660	8	221	5,006	211	6,106
Disposals	(295)	–	(20)	(586)	(72)	(973)
At 31 December 2021	6,428	3,907	619	13,825	469	25,248
Depreciation for the year	1,841	1,153	206	4,997	192	8,389
Disposals	(759)	(12)	(106)	(10,569)	(81)	(11,527)
At 31 December 2022	7,510	5,048	719	8,253	580	22,110
Net carrying amounts						
At 1 January 2021	530	16	574	7,499	564	9,183
At 31 December 2021	625	8	353	3,112	483	4,581
At 31 December 2022	3,115	2,289	147	7,864	291	13,706

9. Available-for-sale investments

	2022 $'000	2021 $'000
Government bonds	159,681	129,011
Corporate and public authority bonds	164,595	195,025
	324,276	324,036
Collective investment scheme	48,535	51,566
Equity shares	36,061	48,799
	408,872	424,401

A breakdown of the Company's bond portfolio by credit quality based on Standard & Poor's financial strength is as follows:

	2022 $'000	2021 $'000
Financial strength rating		
Singapore Government bonds	159,681	129,011
Public Authority bonds	16,648	16,465
Corporate bonds		
A to AAA	13,803	24,742
A- and below	39,159	44,095
Not rated by Standard & Poor's (but there are equivalent A and B rating by Moody's/Fitch)	66,044	68,029
Not rated	28,941	41,694
	324,276	324,036
Collective investment scheme		
A to AAA	48,535	51,566

At 31 December 2022, $1.2m impairment loss (2021: $Nil) relating to the Company's equity portfolio was recognised as a result of significant or prolonged decline in the fair value of investments below their costs. The Company treats "significant" as 20% and "prolonged" as more than 12 months.

In accordance with the Group accounting policy, any impairment provision made on equities during the year is not reversible.

See note 22(e)(iii) for the interest rate risk exposure of the government bonds and corporate and public authority bonds.

Fair value hierarchy

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022				
Available-for-sale financial assets				
- Government bonds	159,681	-	-	159,681
- Corporate and public authority bonds	141,240	23,355	-	164,595
- Equity shares	36,061	-	-	36,061
- Collective investment scheme	48,535	-	-	48,535
	385,517	23,355	-	408,872
2021				
Available-for-sale financial assets				
- Government bonds	129,011	–	–	129,011
- Corporate and public authority bonds	183,756	11,269	–	195,025
- Equity shares	48,799	–	–	48,799
- Collective investment scheme	–	51,566	–	51,566
	361,566	62,835	–	424,401

10. Net deferred acquisition costs

	2022 $'000			2021 $'000		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
At 1 January	17,330	(6,697)	10,633	18,030	(5,990)	12,040
Costs deferred during the year	1,014	(1,303)	(289)	(700)	(707)	(1,407)
At 31 December	18,344	(8,000)	10,344	17,330	(6,697)	10,633

11. Unearned premium reserves

	2022 $'000			2021 $'000		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Reserve for unexpired risks	131,228	(36,627)	94,601	121,518	(34,596)	86,922

Movement in unearned premium reserves:

	2022 $'000			2021 $'000		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
At 1 January	121,518	(34,596)	86,922	124,857	(30,388)	94,469
Increase/(Decrease) during the year	9,710	(2,031)	7,679	(3,339)	(4,208)	(7,547)
At 31 December	131,228	(36,627)	94,601	121,518	(34,596)	86,922

12. Loss reserves

	2022 $'000			2021 $'000		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Outstanding claims and claims handling costs	187,007	(68,873)	118,134	201,576	(82,387)	119,189
Outstanding claims incurred but not reported ("IBNR")	52,249	(28,142)	24,107	43,930	(23,933)	19,997
At 31 December	239,256	(97,015)	142,241	245,506	(106,320)	139,186
Non-current liabilities	46,053	(18,674)	27,379	56,820	(24,607)	32,213
Current liabilities	193,203	(78,341)	114,862	188,686	(81,713)	106,973
	239,256	(97,015)	142,241	245,506	(106,320)	139,186

Movement in loss reserves:

	2022 $'000			2021 $'000		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
At 1 January	245,506	(106,320)	139,186	245,869	(92,807)	153,062
Claims (paid)/recovered during the year	(114,119)	44,656	(69,463)	(106,243)	29,634	(76,609)
Claims incurred during the year	107,869	(35,351)	72,518	105,880	(43,147)	62,733
At 31 December	239,256	(97,015)	142,241	245,506	(106,320)	139,186

Loss development tables

(a) *Gross loss reserves*

At end of financial year	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Accident year						
Before 2016	4,834	5,566	8,353	16,917	23,937	49,117
2016	4,338	6,924	7,752	8,724	19,120	41,305
2017	3,945	8,837	13,508	22,443	41,271	132,895
2018	16,212	19,733	30,879	50,924	128,553	–
2019	17,429	38,695	69,736	158,127	–	–
2020	19,305	47,232	114,707	–	–	–
2021	40,831	118,304	–	–	–	–
2022	132,314	–	–	–	–	–
Current estimates of loss reserves:						
- Direct and facultative insurance	239,208	245,291	244,935	257,135	212,881	223,317
- Inward treaty insurance	48	215	934	963	964	964
Total current estimates of loss reserves	239,256	245,506	245,869	258,098	213,845	224,281

(b) *Net loss reserves*

At end of financial year	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Accident year						
Before 2016	2,484	3,540	5,732	8,993	14,849	34,400
2016	2,320	3,535	4,247	5,823	11,867	27,843
2017	2,892	5,037	8,105	15,067	29,909	98,074
2018	6,607	9,941	16,475	32,169	101,949	–
2019	11,120	20,982	40,089	106,494	–	–
2020	11,887	25,761	77,480	–	–	–
2021	22,286	70,175	–	–	–	–
2022	82,597	–	–	–	–	–
Current estimates of loss reserves:						
- Direct and facultative insurance	142,193	138,971	152,128	168,546	158,574	160,317
- Inward treaty insurance	48	215	934	963	964	964
Total current estimates of loss reserves	142,241	139,186	153,062	169,509	159,538	161,281

(c) *Gross claims paid*

At end of financial year	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Accident year						
Before 2016	1,175	2,379	573	(2,604)	7,762	23,472
2016	265	260	1,632	5,132	12,270	51,203
2017	924	3,955	3,585	8,788	64,983	58,736
2018	3,939	6,532	15,766	59,635	55,497	–
2019	9,416	17,664	56,360	54,383	–	–
2020	15,324	36,414	39,416	–	–	–
2021	46,680	39,039	–	–	–	–
2022	36,395	–	–	–	–	–
Gross claims paid:						
- Direct and facultative insurance	114,118	106,243	117,332	125,334	140,512	133,411
- Inward treaty insurance	1	–	–	–	30	8
Total gross claims paid	114,119	106,243	117,332	125,334	140,542	133,419

(d) Net claims paid

At end of financial year	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Accident year						
Before 2016	(257)	1,450	619	2,746	5,591	15,756
2016	192	348	1,027	2,270	7,037	44,453
2017	809	2,152	3,414	6,941	46,545	55,553
2018	1,677	3,236	7,883	48,561	50,194	–
2019	2,447	11,238	44,101	49,037	–	–
2020	6,809	28,454	32,790	–	–	–
2021	25,927	29,731	–	–	–	–
2022	31,858	–	–	–	–	–
Gross claims paid:						
- Direct and facultative insurance	69,462	76,609	89,834	109,555	109,367	115,762
- Inward treaty insurance	1	–	–	–	30	8
Total gross claims paid	69,463	76,609	89,834	109,555	109,397	115,770

(e) Analysis of the estimated timing of cash outflows (undiscounted) relating to claims liabilities

	2022 $'000	2021 $'000
Less than 1 year	114,862	106,973
Between 1 to 3 years	26,049	28,471
Between 3 to 5 years	1,259	2,879
More than 5 years	71	863
	142,241	139,186

13. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	58,013	26,346
Fixed and call deposits	71,486	103,246
Cash and cash equivalents	129,499	129,592

The weighted average effective interest rate of fixed and call deposits is 3.29% (2021: 0.27%) per annum.

Cash and cash equivalents denominated in foreign currency as at 31 December is as follows:

	2022 $'000	2021 $'000
US Dollars	33,690	28,158

14. Insurance receivables

	2022 $'000	2021 $'000
Amounts due from policyholders, agents, brokers and insurers	47,212	43,548
Allowances for doubtful receivables from policyholders, agents, brokers and insurers	(693)	(490)
	46,519	43,058
Amounts due from reinsurers	524	2,914
Allowances for doubtful receivables from reinsurers	(102)	(25)
	422	2,889
Total insurance receivables	46,941	45,947

The ageing of insurance receivables and related allowance made for doubtful receivables at the reporting date are as follows:

	2022			2021		
	Gross $'000	Allowance $'000	Net $'000	Gross $'000	Allowance $'000	Net $'000
Not past due	8,480		8,480	12,589	–	12,589
Current to 90 days	28,634	–	28,634	25,945	–	25,945
91 to 180 days	8,176	–	8,176	4,182	–	4,182
181 to 365 days	2,287	–	2,287	3,138	4	3,142
More than 1 year	159	(795)	(636)	608	(519)	89
	47,736	(795)	46,941	46,462	(515)	45,947

The above receivables have been individually assessed for impairment after considering information such as occurrence of significant changes in the counter party's financial position, patterns at historical payment information and dispute with counter parties.

Based on historical default rates, the Company believes that no impairment allowance is necessary in respect of receivables that are not due or overdue, other than those where specific provisions have already been made in the accounts.

The movements in allowance for doubtful receivables in respect of insurance receivables during the year are as follows:

	2022 $'000	2021 $'000
At 1 January	515	274
Additional provision during the year	702	506
Provision not required now written back	(410)	(265)
Bad debt written off	(12)	–
At 31 December	795	515

15. Loans and other receivables

	2022 $'000	2021 $'000
Accrued interest receivable	2,748	2,418
Amounts due from related companies (non-trade)	213	300
Other receivables	1,199	496
	4,160	3,214
Deposits and prepayments	2,105	1,626
	6,265	4,840

The management believes that there is no significant credit risk in respect of other receivables as they are mainly accrued interest receivable within 1 year.

Amounts due from related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

16. Insurance payables

	2022 $'000	2021 $'000
Insurance business:		
Amount due to policyholders, agents, brokers and insurers	4,299	3,961
Amount due to reinsurers	40,536	39,894
	44,835	43,855

Insurance payables are non-interest bearing and are generally on 90 days' terms.

17. Other payables

	Note	2022 $'000	2021 $'000
Non-current			
Retirement gratuity	4	2080	1,997
Current			
Accrued operating expenses		22,095	19,585
Other payables		6,756	4,593
		28,851	24,178
Provision for unconsumed leave		2,738	2,583
Provision for employee personal tax		330	426
GST payables, net		1,058	967
		32,977	28,154
Total other payables		35,057	30,151

Amounts due to related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

The expected contractual undiscounted cash outflows of financial liabilities are disclosed in note 22(e)(ii).

18. Deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) as at 31 December relate to the following:

	At reporting date		Recognised in statement of profit or loss	Recognised in statement of comprehensive income		
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred tax liabilities						
Differences in depreciation of property and equipment	738	107	631	21	–	–
Revaluation of available-for-sale investments to fair value	–	1,922	–	–	–	(1,942)
Gross deferred tax liabilities/(assets)	738	2,029	631	21	–	(1,942)
Deferred tax assets						
Provision for reinstatement of office premises	(114)	(114)	–	–	–	–
Provision for retirement gratuity	(322)	(308)	(14)	(18)	–	(2)
Other provisions	(835)	(834)	(1)	(114)	–	–
Revaluation of available-for-sale investments to fair value	(3,077)	–	–	–	(4,999)	–
Gross deferred tax assets	(4,348)	(1,256)	(15)	(132)	(4,999)	(2)
Net deferred tax liabilities/(assets)	(3,610)	773				
Deferred income tax (credit)/expense			616	(111)	(4,999)	(1,944)

19. Capital and reserves

Share capital	2022 No. of shares ('000)	2021 No. of shares ('000)
Fully paid ordinary shares, with no par value		
At 1 January and at 31 December	333,442	333,442

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. All shares rank equally with regard to the Company's residual assets.

Dividends

The following dividends were declared and paid by the Company:

	2021 $'000	2020 $'000
Interim exempt (one tier) dividend of 4.7 cents per ordinary share (2021: 6.8 cents)	15,540	22,550

20. Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts set out in the statement of financial position, are as follows:

	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
2022						
Cash and cash equivalents	13	129,499	–	–	129,499	129,499
Insurance receivables	14	46,941	–	–	46,941	46,941
Loans and other receivables[1]	15	4,160	–	–	4,160	4,160
Available-for-sale investments	9	–	408,872	–	408,872	408,872
		180,600	408,872	–	589,472	589,472
Insurance payables	16	–	–	44,835	44,835	44,835
Other payables[2]	17	–	–	30,931	30,931	30,931
		–	–	75,766	75,766	75,766
2021						
Cash and cash equivalents	13	129,592	–	–	129,592	129,592
Insurance receivables	14	45,947	–	–	45,947	45,947
Loans and other receivables[1]	15	3,214	–	–	3,214	3,214
Available-for-sale investments	9	–	424,401	–	424,401	424,401
		178,753	424,401	–	603,154	603,154
Insurance payables	16	–	–	43,855	43,855	43,855
Other payables[2]	17	–	–	26,175	26,175	26,175
		–	–	70,030	70,030	70,030

1 Excludes deposits and prepayments
2 Excludes provision for unconsumed leave, provision for employee personal tax and net GST payables

21. Corporate governance

The Company is committed to upholding good corporate governance. The Board of Directors ("the Board") and the management team firmly believes that a genuine commitment to good corporate governance is essential to the sustainability of the Company's business and performance. In this regard, the Company is guided by the principles and provisions in the Guidelines on Corporate Governance. The Company also complies with the relevant provisions in the Insurance (Corporate Governance) Regulations 2013. The following describes the Company's corporate governance practices:

(a) *Board's Conduct of Affairs*

The main responsibilities of the Board are to:

- Set corporate strategy and directions;
- Establish the broad objectives and policies for the conduct of the business;
- Review and approve business plans and budgets;
- Monitor financial performance;
- Oversee the process for evaluating the adequacy of internal controls, risk assessment, financial reporting and compliance;

(b) *Board size and composition*

The Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. They hold core competencies such as accounting, management experience, industry knowledge and strategic planning experience. In compliance with the Insurance (Corporate Governance) Regulations 2013, the Board comprises at least one third of independent directors. There are 3 independent directors on the Board who also sit in the Audit Committee.

(c) *Separation of roles – Chairman and Chief Executive Officer*

The Chairman and Chief Executive Officer positions are held by separate persons to ensure appropriate balance of power, accountability and greater capacity for independent decision making. The Chairman is responsible for the leadership of the Board and the management of the Board meetings. The Board shall approve the appointment of the Chief Executive Officer, subject to prior approval from Mitsui Sumitomo Insurance Company, Limited. The Chief Executive Officer has the overall responsibility for the management of the Company's business and its profitable operation in accordance with the policies and objectives set by the Board.

(d) *Board meetings*

There are four scheduled Board meetings in a year. Additional Board meetings may be held at the discretion of the directors. A total of four Board meetings and one Ad-Hoc Board Meeting were held in 2022, with full attendance by all the Board members.

(e) *Accountability and audit*

(i) *Accountability*

The management will present all members of the Board with management reports and performance results on a quarterly basis. This is to enable the Board to make balanced and informed assessment of the Company's performance, position and prospects. During the quarterly Board meetings, the Board will meet with relevant members of the Senior Leadership Team to discuss and review critically the decisions made.

The Board has received satisfactory assurances from the Company's CEO and CFO that the Company's (a) financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the Company's risk management and internal control systems are adequate and effective.

(ii) *Audit committee*

The Audit Committee ("AC") is appointed by the Board from amongst the directors of the Company and shall consist of at least three (3) members.

As at 31 December 2022 the AC comprises five members, all of whom are non-executive directors. A majority, comprising three of the five members of the AC are independent directors. Ms. Tan Piak Gek, an independent director, chairs the AC. The other members of the AC are Mr. Christopher Ho Siow Soong, Mr. Ng Lak Chuan, Mr. Clemens Philippi and Mr. Shintaro Shimada. The members of the AC have relevant or related financial management expertise or experience. None of the members of the Audit Committee were former partners or directors of the external audit firm, KPMG LLP nor do they hold any financial interest in KPMG LLP.

The Chairman and the members of the AC are appointed by the Board.

The AC shall hold at least 4 regular meetings per year, and such additional meetings as the Chairman shall decide in order to fulfil its duties. Minutes are recorded for all regular meetings of the AC.

The AC, which has written terms of reference approved by the Board, annually assesses the performance and effectiveness of the Audit Committee, and performs the following delegated functions:

- Review with the Internal Auditors
  - their audit plans, their evaluation of the system of internal controls and their audit reports;
  - the scope and results of the internal audit procedures;
  - the internal audit assessments of compliance with company policies, relevant laws and regulatory requirements;
  - the annual internal audit opinion on the effectiveness of the internal controls;
  - management's responsiveness to and corrective actions taken in respect of internal audit findings and recommendations.
- Review with External Auditors

- their audit plan, evaluation of the system of internal controls, and any other matters that the external auditors wish to discuss;
- the audited annual financial statements prepared in accordance with Singapore Financial Reporting Standards before submission to the Board for approval;
- Material related party transactions;
- the nature and extent of non-audit services performed by external auditors and the impact on their independence and objectivity;
- external audit findings and recommendations, ensuring that these are resolved effectively and in a timely manner.

The Audit Committee meets annually with the Internal Auditors and External Auditors without the presence of the management. The Audit Committee annually assesses the performance, adequacy and independence of the internal and external auditors. The Audit Committee is also responsible for approving the appointment and dismissal of the Head of Internal Audit and the budget of the Internal Audit function. The Audit Committee reviews and approves the fees and terms of engagement of the external auditor and recommends to the Board the appointment of the external auditor. The Audit Committee is also informed of the status and outcome of whistleblowing reports and investigations.

(iii) ***Internal audit***

The Company maintains an in-house internal audit function which assists the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing key controls, processes and procedures and ensuring their effectiveness. Internal Audit is responsible for reviewing the risk profile and developing risk-based audit plans that will confirm and verify the existence and effectiveness of management's system of internal controls and risk management.

The Audit Universe does not only cover internal controls and risk management framework over financial risks, but all material risks including credit, operational, technology, legal, regulatory, reputational and strategic risks. Whether accounting and financial records are complete and accurate, material related party transactions, escalation processes and reporting systems and extent to which any non-compliance with internal policies or external legal or regulatory obligations is documented and appropriate corrective or disciplinary measures are taken.

The internal audit function has unrestricted access to the Audit Committee and to the Company's documents, records and personnel. Internal Audit in its reporting to the Audit Committee presents the audit plan and any amendments for approval, reports if there are factors that adversely affecting its independence, objectivity or effectiveness; and material findings from audits, reviews or investigations conducted.

The Head of Internal Audit's functional line of reporting is to the Chairman of the Audit Committee although he or she also has an administrative reporting line to the CEO of the Company. The appointment and dismissal of the Head of Internal Audit is to be approved by the Audit Committee and his or her annual appraisal is primarily performed by the Chairman of the Audit Committee.

The staff of the internal audit function hold relevant educational or professional qualifications and are provided continuing professional development to ensure that their knowledge and skills remain current and relevant to enable them to discharge their responsibilities. The internal audit function adopts the International Standards for the Professional Practices of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors ("IIA"). As part of Internal Audit Quality Assurance Improvement Program, the Internal Audit function conducts annual internal self-assessment, successfully completed its last external Quality Assurance Review in 2019 and strives to generally conform with or exceed the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

22. Risk management

(a) Governance framework

The Company has established a framework of responsibilities which is consistent with the following generally recognised basic principles of sound risk management practice:

(i) The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders. Appropriate overview by board of directors and senior management;

(ii) The company has a Risk Management Committee which includes the Senior Leadership Team, to oversee the overall risk management framework;

(iii) Adequate risk management process including identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis that provides for continuous risk monitoring by management; and

(iv) Comprehensive internal controls and assurance processes linked to key business risks.

(v) The Head of ERM updates the Board on a quarterly basis and seek Board's approval for all policies, regulations and guidelines.

(b) Enterprise Risk Management ("ERM") and Management controls

The Company has an ERM framework that enables the Company to support risk-based decision making and to meet the regulatory requirements. The framework is aligned to MAS Notice 126.

The key components of the ERM framework are namely the Risk appetite statement, the Business strategy, Capital management, Risk management policy and the Own Risk and Solvency Assessment ("ORSA").

The Company has established a Risk appetite statement, which outlines the overall risks, including environmental risks that the Company undertakes in pursuit of the Company's strategic plan. The Risk Appetite Statement is reviewed annually and approved by the Board.

The Company has in place a Risk management policy that covers the processes to assess, monitor and report risks in the Company.

In line with MAS Notice 126 on ERM, the Company conducts an ORSA assessment on an annual basis.

The Company has an independent ERM function directly reporting to the CEO to develop the ERM framework and to promote and inculcate an appropriate risk culture within the Company. The framework comprises 3 lines of Defence ("LoD"):

(i) Under the first LoD, the management owns and manages risks. The management is also responsible for implementing corrective actions to address process and control deficiencies.

(ii) Under the second LoD, the ERM Department provides an oversight of the risk management practices. It also reviews and challenges the risks taken by the first LoD.

(iii) Under the third LoD, the Internal Audit Department provides an independent assurance on the existence & effectiveness of risk management and internal controls.

The Company also has in place a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence.

(c) Regulatory framework

The operations of the Company are also subject to local regulatory requirements. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

(d) Insurance risk and risk transfer

The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk	–	the possibility that the number of insured events occurring will differ from those expected.
Severity risk	–	the possibility that the cost of the insured events which occurred will differ from those expected.
Development risk	–	the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

Insurance risk includes underwriting risk and reserving risk.

Underwriting risk refers to the risk associated with volatilities in the timing, frequency and severity of insured events, relative to the expectations of the insurer at the time of underwriting.

Reserving risk refers to the risk that current reserves are not sufficient to cover all future costs including claim settlements and associated claims handling expenses in respect of claims that have already occurred.

The objective of the Company is to control and minimise insurance risk to reduce volatility of operating profits. The Company manages insurance risk through the following mechanism:

- Actuarial models based on past experience and statistical techniques aid to monitor claim patterns and ensure appropriate pricing.

- Insurance reserves are reviewed regularly by actuaries to ensure that the amount of reserves held is sufficient. The risk of under-reserving is unlikely to be material as insurance claims in Singapore generally take a relatively short time to be reported and settled. Also, the Company carries an additional amount of reserve to cover the possibility of adverse development in claims experience at a level such that there is at least a 75 per cent chance that the reserves will be sufficient.

- Guidelines are issued for concluding insurance contracts and assuming insurance risks.

- Proactive claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.

- Reinsurance is used to limit the Company's exposure to large claims and catastrophes by placing risk with re-insurers providing high security.

- Diversification is accomplished by achieving a sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of classes of business and distribution channels and geographical locations.

- The Company underwrites mainly Singapore based risks. A part of its portfolio, primarily marine insurance, relates to insured risks which are offshore.

- The Company maximises retention of risk to grow net premium and improve the underwriting result. It operates a policy to manage its reinsurance counterparty exposures including use of reinsurers with defined minimum credit rating. The natural catastrophe exposure is analysed using external probabilistic catastrophe models. Reinsurance is then purchased at the appropriate level.

Sensitivity analysis of insurance liabilities

Estimates of an insurance company's claim liabilities and premium liabilities may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

The Company re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its contracts. The tables presented below demonstrate the sensitivity of insured liability estimates to particular movements in key assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets. The Company recognised that some of the assumptions are interdependent but it will be difficult to analyse such interdependencies.

The key assumptions considered in the sensitivity analysis are as follows:

- Initial Expected Loss Ratio ("IELR") for accident/underwriting year 2021 in the method; and
- Selected Ultimate Loss Ratio ("ULR").

The Initial Expected Loss Ratio ("IELR") is a parameter used in the Bornhuetter-Ferguson method. This method is usually used by the actuary to estimate claims liability applied to claims data in the latest accident/ underwriting years. The sensitivity test is performed by changing the IELR by -15% to +15% to derive the claims liabilities and only net impact is disclosed in the following table.

The Selected Ultimate Loss Ratio ("ULR") is derived from the best estimation of claims reserve and it is a major factor to determine unexpected risk reserves which is a component of premium liability. The ULR also affects the claims liabilities.

The results of the sensitivity analysis (net of reinsurance) and the impact on the premium liabilities and claim liabilities as at 31 December are as follows:

	IELR		**ULR**	
	+15%	**-15%**	**+15%**	**-15%**
	$'000	**$'000**	**$'000**	**$'000**
2022				
Unexpired risk reserves	–	–	10,997	(10,997)
Claim liabilities	1,804	(1,804)	18,116	(17,728)
Total	1,804	(1,804)	29,113	(28,725)
2021				
Unexpired risk reserves	–	–	9,946	(9,946)
Claim liabilities	1,419	(1,419)	15,826	(15,293)
Total	1,419	(1,419)	25,772	(25,239)

(e) Financial risk management

(i) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted.

The carrying amount of reinsurers' share of insurance contract provisions, available-for-sale debt securities and equities, insurance and other receivables, and cash and cash equivalents represents the Company's maximum exposure to credit risk.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is fairly common practice to settle accounts on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

Management of credit risk

The Company extends credit to its intermediaries and customers based on commercial terms. The creditworthiness of reinsurers is assessed on a semi-annual basis by reviewing their financial strength through published credit ratings, available market information and financial reports.

Credit evaluations are performed on all brokers, agents, reinsurers, financial institutions and other counterparties.

Strict investment guidelines are used to monitor the risks in the Company's investments, including setting maximum limits of portfolio securities within a single or group of issuers, and setting the minimum ratings for the issuer.

Exposure to credit risk

Overall exposure to credit risk for insurance receivables is disclosed in Note 14.

Concentration of credit risk

At the reporting date, there are no significant concentrations of credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations at reasonable cost or at any time.

Management of liquidity risk

The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. In respect of Asset Liability Management ("ALM"), the Company holds a high proportion of assets in cash or in short-term deposits in order to maintain consistency with short-tail insurance liabilities.

Exposure to liquidity risk

Due to the nature of its business, the Company's premium and claims liabilities which comprise provision for unexpired risks and provision for outstanding claims are likely to materialise fully within 10 years. For insurance contract provisions, the analysis of the estimated timing of cash outflows is disclosed in Note 12.

The expected contractual undiscounted cash outflows of financial liabilities as at 31 December are as follows:

	Carrying amount	Cash flows	
	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000
2022			
Insurance payables	44,835	44,835	–
Other payables	30,931	28,851	2,080
Lease liabilities	8,705	4,321	4,384
	84,471	78,007	6,464
2021			
Insurance payables	43,855	43,855	–
Other payables	26,175	24,178	1,997
Lease liabilities	4,460	3,309	1,151
	74,490	71,342	3,148

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises three types of risks:

- foreign currency risk;
- interest rate risk; and
- price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Investments denominated in foreign currencies are limited to 40% of the Insurance Fund assets, as prescribed by the MAS Notice 133 on Valuation and Capital Framework for Insurers. In complying with the foreign currency limit, active currency decisions are made when investing in foreign currency equities and bonds.

The Company's exposure to foreign currency in Singapore dollar equivalent is as follows:

	United States Dollar $'000
2022	
Cash and cash equivalents	33,690
2021	
Cash and cash equivalents	28,158

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currency at the reporting date would increase or decrease profit or loss by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Profit or loss Increase/ (Decrease)	
	2022	**2021**
	$'000	**$'000**
United States Dollar	(3,369)	(2,816)

A 10% weakening of the Singapore dollar against the above currency would have had the equal but opposite effect on the above currency, on the basis that all other variables remain constant.

The Company invests in a collective investment scheme where the bond investments are denominated predominantly in US dollars ("USD"). They are hedged back to Singapore dollars to mitigate currency risks exposure of the assets of the scheme.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates have on interest income from interest bearing financial assets.

The Company's exposure to changes in interest rates relates primarily to cash and cash equivalents and other fixed rate and variable rate bonds.

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from differences in maturities or re-pricing of invested assets and the average duration of policy liabilities. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall investment asset profile, which is reviewed periodically, based on the average duration of policy liabilities and the Fund Manager's and Investment Committee's longer-term view of interest rates and its impact on bond valuations.

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	More than 5 years $'000	Total $'000
2022							
Fixed rate							
Investment in government bonds	25,547	17,768	1,973	25,371	15,623	73,399	159,681
Investment in corporate and public authority bonds	24,587	17,312	27,808	26,611	7,522	60,755	164,595
Fixed deposits	71,486	-	-	-	-	-	71,486
Cash at bank	58,013	-	-	-	-	-	58,013
2021							
Fixed rate							
Investment in government bonds	9,993	5,586	25,890	2,083	24,137	61,322	129,011
Investment in corporate and public authority bonds	12,113	31,671	14,200	27,298	25,801	83,942	195,025
Fixed deposits	103,246	–	–	–	–	–	103,246
Cash at bank	26,346	–	–	–	–	–	26,346

As at 31 December 2022, the carrying amount of collective investment scheme was $48.5 million (2021: $51.6 million) with average term to maturity of 12 years (2021: 14 years).

Sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) values by the amounts set out below. This analysis assumes that all other variables remain constant.

	100 bp increase				100 bp decrease			
	Statement of profit or loss		Equity		Statement of profit or loss		Equity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fixed rate bonds	–	–	(10,720)	(13,764)	–	–	9,936	14,634
Collective investment scheme	–	–	(1,949)	(2,565)	–	–	2,214	2,961
	–	–	(12,669)	(16,329)	–	–	12,150	17,595

Equity price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A monitoring process is in place to limit downside risks at certain pre-determined levels. Limits are set for equity holdings in a single company/group of related companies as a percentage of total assets.

Sensitivity analysis

Impairment losses arising on available-for-sale financial assets are recognised in the profit or loss statement. A 10% increase/(decrease) in the prices of underlying shares at the reporting date would increase/(decrease) values by the following amount:

	10% increase				10% decrease			
	Statement of profit or loss		Equity		Statement of profit or loss		Equity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Equity shares	–	–	2,883	4,880	–	–	(2,883)	(4,880)

This analysis assumes that all other variables remain constant.

(iv) Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial assets carried at fair value

The Company has carried all investment securities that are classified as available-for-sale financial assets at their fair values as required by FRS 39.

The fair values of these financial instruments are determined by reference to the last transacted prices published or broker quotes as at the reporting date. During the year, no amount (2021: Nil) has been recognised in the profit or loss statement in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

Financial assets whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, insurance and other receivables, insurance and other payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

(v) Investment and management of funds

The Company's objective is to protect solvency and maximise shareholder value by maintaining a balance between risks and returns, in order to promote stable growth in profits and net asset value over the medium and long terms.

The Company has appointed professional fund managers to manage its investments. Through regular meetings with the fund managers and performance reports, the Company reviews and monitors the performance of its investment funds. The Company has also established a guideline to address the selection, review and management of its fund managers.

(vi) Capital management

The Company's capital management policy aims to:

- maintain a strong capital base to sustain and grow the business so as to uphold investors, creditors and market confidence;
- to comply with the regulatory capital requirements for the Company; and
- to provide an adequate return to shareholders through prudent underwriting of insurance risks and optimising investment returns within the risk parameters established by the Board.

Under the financial reporting standards, capital comprises paid-up share capital and retained earnings.

In Singapore, the minimum capital requirement under the MAS Notice 133 on Valuation and Capital Framework for Insurers regulated by the Monetary Authority of Singapore ("MAS") is 100% although a higher capital requirement may be prescribed by MAS for individual insurers.

The Company determines the amount of capital in accordance with business expansion needs as well as to meet the regulatory capital requirements for the Company.

Having considered the key risks the company faces, the Company also conducts stress testing analysis annually, which includes quantification of the Company's solvency position from material insurance losses. Based on the latest stress testing review, the Company is assessed to be able to withstand shocks from material but reasonable insurance risks.

The Company has complied with the minimum capital requirement prescribed by MAS.

There were changes in the Company's approach to capital management during the year.

MAS Notice 133 (with the exception of section 6.4 Treatment in relation to reinsurance arrangement with head office, branch and subsidiary and paragraph 10 in Appendix 5E) shall take effect on 31 March 2020. Section 6.4 Treatment in relation to reinsurance arrangement with head office, branch and subsidiary and paragraph 10 in Appendix 5E shall take effect on 1 January 2022.

Under RBC 2, an insurer must at all times meet the fund solvency requirement and capital adequacy requirement at two supervisory solvency intervention levels:

i. Higher Supervisory Intervention which is equivalent to the Prescribed Capital Requirement (PCR) + Capital add-on of 25% for Catastrophe Risk.
   - PCR is 100% or sufficient capital to meet Total Risk Requirement corresponding to 99.5% VaR over 1 -year period;
   - Should there be no further add-on, the Higher Supervisory Intervention level will be 125%;
   - Need to submit restoration plan to MAS if CAR falls below (i).

ii. Lower Supervisory Intervention which is equivalent to Minimum Capital Requirement (MCR) + 50% of Capital add-on:
   - MCR is 50% of PCR or sufficient capital to meet Total Risk Requirement corresponding to 90% VaR over 1-year period;
   - Should there be no further add-on, the Lower Supervisory Intervention level will be 62.5%
   - MAS may invoke strongest actions if CAR falls below (ii).

23. Related party transactions

(a) Transactions with related companies

Other than disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties concerned:

	2022 $'000	2021 $'000
Related Companies		
Management fee	6,689	6,362
Project cost	3,356	3,555
Direct premium net of commission	3	(42)
Premiums accepted net of commission	(2,052)	(2,424)
Premiums ceded net of commission	52,845	60,299
Direct claims	928	498
Recovery on paid claims	(25,963)	(17,138)
Service fee income	(93)	(101)
Bad debt recovered	(24)	25

(b) Compensation of key management personnel

	2022 $'000	2021 $'000
Short-term employee benefits and other pension benefit	3,275	4,101

24. Leases

Leases as lessee

The Company leases office property and vehicles. The leases typically run for a period of 2 to 3 years, with an option to renew the lease after that date. Lease payments are renegotiated before the lease expiry to reflect market rentals.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 8).

	Leased equipment $'000	Leasehold improvements Office Premises $'000	Leasehold improvements Apartment $'000	Leased vehicles $'000	Total $'000
2022					
Balance at 1 January	353	2,494	618	483	3,948
Additions	–	9,228	620	–	9,848
Derecognition	–	–	(99)	–	(99)
Depreciation for the year	(206)	(4,456)	(541)	(192)	(5,395)
Balance at 31 December	147	7,266	598	291	8,302
2021					
Balance at 1 January	574	6,951	548	564	8,637
Additions	–	–	633	130	763
Derecognition	–	–	(14)	–	(14)
Depreciation for the year	(221)	(4,457)	(549)	(211)	(5,438)
Balance at 31 December	353	2,494	618	483	3,948

Lease liabilities

	Total 2022 $'000	Total 2021 $'000
Less than one year	4,321	3,309
One to five years	4,384	1,151
Total undiscounted lease liabilities at 31 December	8,705	4,460
Current	4,233	3,183
Non-current	4,338	1,129
Discounted lease liabilities included in the statement of financial position at 31 December	8,571	4,312

Amounts recognised in profit or loss

	$'000
2022	
Interest on lease liabilities	236
2021	
Interest on lease liabilities	420

Amounts recognised in statement of cash flows

	2022 $'000	2021 $'000
Total cash outflow for leases	5,725	6,073

Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

25. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

(i) Amendments to FRS 1: *Classification of Liabilities as Current or Non-Current*

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company is closely monitoring the developments.

(ii) FRS 117 *Insurance Contracts* and Amendments to FRS 117 *Insurance Contracts*

FRS 117 Insurance Contracts became effective on 1 January 2023 and replaces the FRS 104 'Insurance Contracts'. FRS 104 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.

When identifying contracts in the scope of FRS 117, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. Therefore, nearly all of the Company's insurance contracts accounted under FRS 104 will be accounted for under FRS 117.

Contracts under which the Company accepts significant insurance risk are classified as Insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underling insurance contracts are classified as reinsurance contracts. Insurance and Reinsurance contracts will be exposed to financial risk.

The transition date of the Company for FRS 117 was 1 January 2022. The Company is adopting FRS 117 on its mandatory effective date on 1 January 2023, alongside the adoption of FRS 109.

FRS 117 implementation programme

The requirements of the new standard are complex and requires a fundamental change to accounting, presentation and disclosures for insurance contracts as well as the application of significant judgement and new estimation techniques. The implementation of this standard has involved IT enhancements -and finance systems of the Company. The Company has been implementing FRS 117 and FRS 109 through a Regional-wide implementation programme through a related company.

A Regional-wide Steering Committee, chaired by the Regional CEO, provides oversight and strategic direction to the implementation programme. The Regional CFO is the project owner. Regular updates on progress were provided to the Regional Board. Training was provided to the local Board in December 2020 by the FRS 117 consultants engaged by the Company. System report enhancements were made in 2021 and 2022, report testing and transition activities were performed since 2021.

Overview

Under FRS 117, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- 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.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of FRS 117 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under FRS 104 (i.e. portfolio of contracts level), the level of aggregation under FRS 117 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Contract boundaries

Under FRS 117, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the FRS 117 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in FRS 117.

For insurance contracts, cash flows are within the contract boundary 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 has a substantive obligation to provide insurance coverage. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

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

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under FRS 117 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

Measurement

The Premium Allocation Approach ("PAA") is a simplified measurement model in FRS 117 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company expects that it will apply the PAA to all contracts because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further 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.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimate s of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Company will recognise the liability for incurred claims 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.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flow s, the Company will take into account current expectations of future events that might affect those cash flow s. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flow s and other costs that are incurred in fulfilling contracts . Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities on the assessment of cost centres. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics .

Discount rates

The Company will use the bottom-up approach for computation of discount rate consistent with the position taken by the general insurance industry. The bottom-up discount rate will be comprised of a risk-free discount rate and an illiquidity premium.

The Company will determine risk-free discount rates using the government bond risk free yield curve. The government bond yield curves will be extracted from the relevant source, and linearly interpolated as necessary to reflect the required time intervals.

The Company has elected to not hold an illiquidity premium. General insurance contracts have very variable, unpredictable cashflows. Therefore, to generate a yield curve that reflects these cashflows would require a very liquid asset to be selected, so that it can be sold at any point in time in order to meet the liabilities. Given this, using government bond curves to derive the discount rate is an appropriate match for the cashflows in terms of both duration and timing.

The Company does not currently discount future cash flows.

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 and reinsurance contracts 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 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.

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. The Company will present insurance finance income or expenses in profit or less, considering that the supporting assets will generally be measured at FVTPL.

Insurance service result

For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

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.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Expected impact on transition (1 January 2022)

Changes in accounting policies resulting from the adoption of FRS 117 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts as if FRS 117 always been applied; and

- derecognise previously reported balances that would not have existed if FRS 117 had always been applied.

The adoption of FRS 117 and the FRS 109 classification overlay are expected to increase the Company shareholders' equity at 1 January 2022 principally driven by the effects of FRS 117 adoption.

FRS 117 remains subject to developments in market practice or additional interpretative guidance and therefore the impacts discussed above are subject to change prior to finalisation of the Company's financial statements for the year ending 31 December 2023 as:

- the Company is continuing to refine the new accounting processes and internal controls required for applying FRS 117;

- the Company has not finalised the testing and assessment of controls over its systems and changes to its governance framework; and

- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

The Company's capital management framework will remain unchanged as the local regulatory reporting basis is not impacted by FRS 117.

(ii) **FRS 109 *Financial Instruments***

FRS 109 became mandatorily effective for the annual periods beginning on or after 1 January 2018, with early application permitted and transitional rules apply. The Company met the eligibility criteria for temporary exemption under the Amendments to FRS 104 from applying FRS 109 and has accordingly deferred the adoption of FRS 109 until the date when FRS 117 'Insurance Contracts' is expected to be adopted upon its current mandatory effective date. The Company will apply FRS 109 for the first time on 1 January 2023.

The Company is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to FRS 104. The required disclosure of the fair value of the Company's financial assets, showing the amounts for instruments that meet the 'Solely for Payment of Principal and Interest' (SPPI) criteria but do not meet the definition of held for trading and are not managed and evaluated on a fair value basis separately from all other financial assets, is provided below.

The Company is implementing this standard in conjunction with FRS 117 as permitted. When adopted, FRS 109 replaces the existing FRS 39 'Financial Instruments – Recognition and Measurement' and will affect principally or mainly the following three areas:

Financial assets and liabilities - Classification

FRS 109 redefines the classification of financial assets. Based on the way in which the assets are managed in order to generate cash flows and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches.

Under FRS 39, majority of the Company's financial investments are valued at FVTPL and the majority of its investments will continue to be classified as such under FRS 109.

The existing FRS 39 amortised cost measurement for financial liabilities is largely maintained under FRS 109. For financial liabilities designated at FVTPL, FRS 109 requires changes in fair value due to changes in the entity's own credit risk to be recognised in other comprehensive income.

Financial Assets - Impairment

FRS 109 replaces the 'incurred loss model' in FRS 39 with a forward-looking 'expected credit loss' model' resulting in earlier recognition of credit losses compared to FRS 39. This aspect is the most complex area of FRS 109 to implement and will involve significant judgements and estimation processes.

The fair value information of the Company's directly held financial assets at 31 December 2022 and 2021 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 are shown in the table below, together with all other financial assets[1].

FRS 109 will affect the classification and measurement of financial assets held at 1 January 2023 as follows:

- Debt investments that are classified as available-for-sale under FRS 39, under FRS109, be measured at amortised cost, FVOCI, FVTPL, depending on the particular circumstances.
- Majority of the equity investments that are classified as available-for-sale under FRS 39 will be measured at FVTPL under FRS 109.
- Loans and receivables measured at amortised cost under FRS 39 will also be measured at amortised cost under FRS 109.

The Company has assessed the scope of assets to which these requirements will apply and expects that the majority of assets will be held at FVTPL to which these requirements will not apply. The Company estimates that, on adoption of FRS 109, the impact of these changes (before tax) is immaterial in the Company's total equity at 1 January 2023 and at 1 January 2022.

[1] [1] Any financial asset:
(i) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
(ii) that meets the definition of held for trading in FRS 109; or
that is managed and whose performance is evaluated on a fair value basis.

(iii) Others

The following amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to FRS 8: *Definition of Accounting Estimates*

26. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 30 March 2023.