Company Registration No. 197800490N

EQ Insurance Company Limited

Annual Financial Statements
31 December 2023

Building a better
working world

General information

Directors

Leow Tze Wen
Ng Tee Chuan
Ng Tee Yen
Sim Thiam Heng
Tan Eng Seong Phillip
Peter Ho Hak Ean

Company Secretaries

Shang Xinquan
Sharimala Rasanayagam

Registered Offices

77 Robinson Road
#12-01 Robinson 77
Singapore 068896

Auditors

Ernst & Young LLP

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The directors are pleased in presenting their statement to the member together with the audited financial statements of EQ Insurance Company Limited (the "Company") for the financial year ended 31 December 2023.

Opinion of the directors

In the opinion of the directors,

(a) the accompanying balance sheet, statement of profit or loss, statement of comprehensive income, statement of changes in equity, and cash flow statement 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 2023 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and

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

Directors of the Company

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

Leow Tze Wen
Ng Tee Chuan
Ng Tee Yen
Sim Thiam Heng
Tan Eng Seong Phillip
Peter Ho Hak Ean

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act 1967 (the "Companies Act"), an interest in shares of the Company as stated below:

	Held in the name of director		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ultimate holding company				
Citystate Capital Asia Pte Ltd				
Leow Tze Wen	1,621,670	1,646,670	32,264,810	32,419,420
Ng Tee Chuan	–	–	3,592,810	3,592,810
Tan Eng Seong Phillip	1,427,520	1,437,520	506,000	506,000
Interest in Company - Ordinary shares				
Leow Tze Wen	–	–	113,200,000	113,200,000

Directors' interests in shares and debentures (cont'd)

There was no change in any of the abovementioned interest in the Company between the end of the financial year and the date of this statement.

No other directors who held office at the end of the financial year had an interest in shares or debentures of the Company.

Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act other than those disclosed in Note 19 to the financial statements.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Options

There were no share options granted by the Company during the financial year.

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 as at the end of financial year.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

DocuSigned by:
0B9300D1EF72458...

Leow Tze Wen
Director

DocuSigned by:
1C2E89098F344CA...

Tan Eng Seong Phillip
Director

Singapore
21 June 2024

Independent auditor's report to the member of EQ Insurance Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EQ Insurance Company Limited (the "Company"), which comprise the balance sheet as at 31 December 2023, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for other information. The other information comprises the General Information and, Directors' Statement, which is included in pages 1 to 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the member of EQ Insurance Company Limited

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Independent auditor's report to the member of EQ Insurance Company Limited

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 June 2024

EQ Insurance Company Limited

Balance sheet
As at 31 December 2023

	Notes	2023 $	2022 Restated $	1 Jan 2022 Restated $
Non-current assets				
Property and equipment	4	1,854,946	941,152	714,721
Right-of-use assets	5	3,252,104	266,264	931,508
Investment securities	6	14,505,327	11,502,047	9,753,178
Reinsurance contract assets	12	11,513,151	10,419,272	8,982,684
Deferred tax assets – net	13	–	–	472,805
		31,125,528	23,128,735	20,854,896
Current assets				
Investment securities	6	18,745,379	19,516,462	16,622,586
Prepayments and other current assets		1,549,960	1,198,317	1,012,214
Other receivables	8	1,956,071	866,323	399,567
Cash, bank balances and deposits	9	138,783,886	119,379,535	104,175,102
Financial assets at carried at amortised costs		140,739,957	120,245,858	104,574,669
		161,035,296	140,960,637	122,209,469
Current liabilities				
GST payable		1,257,639	984,031	874,831
Current tax liabilities		1,176,252	–	–
Amounts due to related companies	7	58,718	59,367	55,789
Other payables	10	20,759,408	16,393,000	13,035,700
Lease liabilities	5	663,193	237,917	673,637
Hire purchase payables at amortised cost	18	7,733	23,200	23,200
Financial liabilities carried at amortised costs		21,489,052	16,713,484	13,788,326
		23,922,943	17,697,515	14,663,157
Net current assets		137,112,353	123,263,122	107,546,312
Non-current liabilities				
Insurance contract liabilities	11	97,943,010	85,702,730	74,054,085
Contingency reserves		35,118	35,118	35,118
Lease liabilities	5	2,582,781	34,257	272,173
Hire purchase payables at amortised cost	18	–	7,733	30,933
Deferred tax liabilities – net	13	624,079	629,137	–
		101,184,988	86,408,975	74,392,309
Net assets		67,052,893	59,982,882	54,008,899
Equity attributable to equity holder of the Company				
Share capital	14	45,700,000	45,700,000	45,700,000
Accumulated profit		21,352,893	14,282,882	8,308,899
Total equity		67,052,893	59,982,882	54,008,899

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

EQ Insurance Company Limited

Statement of profit or loss
For the financial year ended 31 December 2023

	Notes	2023 $	2022 $ Restated
Insurance revenue	11	69,842,319	57,803,798
Insurance service expense	11	(60,612,196)	(49,487,381)
Insurance service result before reinsurance contracts held		9,230,123	8,316,417
Allocation of reinsurance premiums	12	(9,194,688)	(5,632,442)
Amounts recoverable from reinsurers for incurred claims	12	3,361,776	2,470,784
Net expenses from reinsurance contracts held		(5,832,912)	(3,161,658)
Insurance service results		3,397,211	5,154,759
Net investment income	15	5,589,297	2,151,985
Finance (expense)/income from insurance contracts issued	11, 16	(886,237)	1,097,217
Finance income/(expense) from reinsurance for incurred claims	12, 16	147,387	(71,942)
Net insurance finance (expense)/income		(738,850)	1,025,275
Net insurance and investment result		8,247,658	8,332,019
Other income		213,546	243,906
Profit before tax		8,461,204	8,575,925
Taxation	17	(1,171,193)	(1,101,942)
Profit for the year		7,290,011	7,473,983

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

EQ Insurance Company Limited

Statement of comprehensive income
For the financial year ended 31 December 2023

	2023 $	2022 $ Restated
Profit for the year	7,290,011	7,473,983
Other comprehensive income:		
Items that may be reclassified to profit or loss	–	–
Income tax relating to components of other comprehensive income	–	–
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	7,290,011	7,473,983

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

EQ Insurance Company Limited

Statement of changes in equity
For the financial year ended 31 December 2023

	Share capital $	**Accumulated profit** $	**Total** $
Balance as at 31 December 2021, as previously reported	45,700,000	12,188,857	57,888,857
Impact of initial application of FRS 117	–	(3,879,958)	(3,879,958)
Impact of initial application of FRS 109	–	–	–
Restated balance as at 1 January 2022	45,700,000	8,308,899	54,008,899
Dividend paid during the year *	–	(1,500,000)	(1,500,000)
Profit for the year, net of tax	–	7,473,983	7,473,983
Other comprehensive income for the year, net of tax	–	–	–
Movement during the year	–	5,973,983	5,973,983
Restated balance as at 31 December 2022	45,700,000	14,282,882	59,982,882
Dividend declared during the year *	–	(220,000)	(220,000)
Profit for the year, net of tax	–	7,290,011	7,290,011
Other comprehensive income for the year, net of tax	–	–	–
Movement during the year	–	7,070,011	7,070,011
Balance as at 31 December 2023	45,700,000	21,352,893	67,052,893

* Interim one-tier tax exempt dividend of 0.002 cents per ordinary share (2022: 0.013 cents per ordinary share).

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

EQ Insurance Company Limited

Cash flow statement
For the financial year ended 31 December 2023

	2023 $	2022 $
Cash flows from operating activities:		
Profit before tax	8,461,204	8,575,925
Adjustments for:		
Depreciation of property and equipment	400,991	295,219
Depreciation of right-of-use asset	679,492	665,244
Loss on disposal of property and equipment	20,443	–
Dividend income from investment securities	(815,597)	(692,613)
Net realised gain on sale of investment securities	(855,195)	(23,503)
Net unrealised loss/(gain) on investments at fair value	740,005	(117,264)
Amortisation of premiums on investments at amortised costs	470	201
Interest expense on lease liabilities	11,427	11,684
Interest income	(4,792,161)	(1,446,542)
Operating cash flows before change in working capital	3,851,079	7,268,351
Changes in working capital		
(Increase)/decrease in other receivables, prepayments and other current assets	(352,580)	15,115
Increase in payables	4,422,005	3,473,190
Increase in insurance contract liabilities – net	11,146,401	10,212,057
Cash flows from operations	19,066,905	20,968,713
Income tax paid	–	–
Net cash flows generated from operating activities	19,066,905	20,968,713
Cash flows from investing activities		
Purchase of property and equipment	(1,335,228)	(521,650)
Purchase of investment securities - net	(2,117,478)	(4,502,178)
Interest received	3,703,352	778,571
Dividends received from investment securities	815,597	692,613
Placements in deposits	(20,275,531)	(12,291,460)
Net cash flows generated from/(used in) investing activities	(19,209,288)	(15,844,104)
Cash flows from financing activities		
Repayment of hire purchase payables	(23,200)	(23,200)
Repayment of principal portion of lease liabilities	(691,053)	(673,636)
Interest expense paid on lease liabilities	(11,427)	(11,684)
Interest paid on hire purchase	(3,116)	(3,116)
Payment of dividend	–	(1,500,000)
Net cash flows used in from financing activities	(728,796)	(2,211,636)
Net (decrease)/increase in cash and cash equivalents	(871,179)	2,912,973
Cash and cash equivalents at beginning of year	17,758,002	14,845,029
Cash and cash equivalents at end of year (Note 9)	16,886,823	17,758,002

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

1. Corporate information

EQ Insurance Company Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore. Its registered office is located at 77 Robinson Road #12-01, Robinson 77, Singapore 068896. The immediate holding company is Citystate Insurance Holdings Pte Ltd and the ultimate holding company is Citystate Capital Asia Pte Ltd.

The Company has been granted a license to carry out general insurance business in Singapore by the Monetary Authority of Singapore.

The principal activity of the Company is underwriting general insurance. There has been no significant change in the nature of this activity during the financial year.

2. Summary of material accounting policy information

2.1 *Basis of preparation*

The financial statements of the Company, which are presented in Singapore dollars ($), have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act 1967.

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2023. Except for FRS 117 Insurance Contracts, the impact of the adoption of these new or amended standards and interpretations in the financial statements is assessed to be immaterial.

In these financial statements, the Company has applied FRS 117 for the first time. Below is the summary of the impact of adopting FRS 117 to the Company's financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

FRS 117 Insurance contracts

FRS 117 replaces FRS 104 Insurance contracts for annual periods on or after 1 January 2023.

The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to FRS 117. The nature of the changes in accounting policies can be summarised, as follows:

2. Summary of material accounting policy information (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 117 Insurance Contract (cont'd)

(a) Changes in classification and measurement

The adoption of FRS 117 did not change the classification of the Company's insurance contracts.

The Company was previously permitted under FRS 104 to continue accounting using its previous accounting policies. However, FRS 117 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under FRS 117, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in FRS 117.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under FRS 104 in the following key areas:

- The liability for remaining coverage reflects premium received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported ("IBNR") claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

2. Summary of material accounting policy information (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 117 Insurance Contract (cont'd)

(a) Changes in classification and measurement (cont'd)

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another FRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flow is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 2.2.

(b) Changes to presentation and disclosure

For presentation in the balance sheet the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the FRS 117 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Reinsurers' share of gross premiums written
- Gross change in reserve for unexpired risk – net of deferred acquisition cost
- Reinsurers' share of gross change in reserve for unexpired risk – net of deferred acquisition cost
- Net earned premium
- Gross claims paid
- Reinsurers' share of gross claims paid
- Gross change in loss reserves
- Reinsurers' share of gross change in loss reserves
- Net claims incurred

2. Summary of material accounting policy information (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 117 Insurance Contract (cont'd)

(b) Changes to presentation and disclosure (cont'd)

- Commission expense
- Commission income
- Net commission
- Other underwriting expenses
- Other underwriting income
- Underwriting profit from direct general insurance
- Net underwriting result from reinsurance business (in run off)
- Other operating expenses

Instead, FRS 117 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance service result before reinsurance contracts held
- Allocation of reinsurance premiums
- Amount recoverable from reinsurers for incurred claims
- Net expenses from reinsurance contracts held
- Insurance service results
- Finance (expense)/income from insurance contracts issued
- Finance income/(expense) from reinsurance for incurred claims
- Net insurance finance (expense)/income
- Net insurance result

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

(c) Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if FRS 117 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if FRS 117 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified. Derecognised any existing balances that would not exist had FRS 117 always applied.
- Liability for incurred claims has been discounted and that the determination of the risk adjustment has been changed to use 75% confidence level.
- Recognised any resulting net difference in equity.

2. Summary of material accounting policy information (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 117 Insurance Contract (cont'd)

(c) Transition

With the adoption of the FRS 117 retrospectively, the restatement as at 1 January 2022 is as follows:

	As at 1 January 2022 (as reported)	Effect of application FRS 117	As at 1 January 2022 (as restated)
Assets	S$	S$	S$
Trade receivables	7,749,839	(7,749,839)	–
Amounts due from related parties	141,049	(141,049)	–
Other receivables	197,612	201,955	399,567
Reinsurers' share of insurance contract liabilities	8,772,128	(8,772,128)	–
Reinsurance contract assets	–	8,982,684	8,982,684
Total effect on assets		**(7,478,377)**	
Liabilities			
Trade payables	14,741,853	(14,741,853)	–
Other payables	3,748,321	9,287,379	13,035,700
Gross insurance contract liabilities	72,198,030	(72,198,030)	–
Insurance contract liabilities	–	74,054,085	74,054,085
Total effects on liabilities		**(3,598,419)**	
Equity			
Accumulated profit	12,188,857	(3,879,958)	8,308,899
Total effects on equity		**(3,879,958)**	

2. Summary of material accounting policy information (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 117 Insurance contracts (cont'd)

(d) Transition approach

FRS 117 requires an entity to use the same systematic and rational method expected to be used post transition to allocate any insurance acquisition cash flows paid (or for which a liability has been recognised applying another FRS standard) before the transition date to groups of insurance contracts recognised at transition date and after the transition date.

To the extent that an entity does not have reasonable and supportable information to apply a systematic and rational method of allocation, any asset for insurance acquisition cash flows for groups of insurance contracts must be set to nil.

The Company has applied the full retrospective approach at transition date (from cohort 2016 and onwards) since all portfolios were on PAA model, except for cohorts 2015 and prior whereby the Company used modified retrospective approach. For cohorts 2015 and prior, cohort 2015 was used as the starting point which basically includes in-force policies written prior to 2015.

2.3 *FRS 109 Financial instruments*

FRS 109 replaced FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to FRS 104, to apply the temporary exemption from FRS 109, thereby deferring the initial application date of FRS 109 to align with the initial application of FRS 117.

The Company has applied FRS 109 retrospectively and restated information for 2022 for financial instruments in the scope of FRS 109. Other than the financial instrument classifications, adoption FRS 109 did not have material impact to the equity of the Company, hence, there was no adjustment in the opening accumulated profit as disclosed in the statement of changes in equity.

(a) Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The FRS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives

- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

2. Summary of material accounting policy information (cont'd)

2.3 *FRS 109 Financial instruments (cont'd)*

(a) Changes to classification and measurement (cont'd)

- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

The Company's classification of its financial assets is explained in Note 2.15. The quantitative impact of applying FRS 109 as at 1 January 2022 is disclosed in statement of changes in equity.

(b) Changes to impairment disclosure

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for debt instruments held at FVOCI by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. It did not have a significant impact on the Company's financial statements.

(c) Changes in disclosure – FRS 107

To reflect the differences between FRS 109 and FRS 39, FRS 107 Financial Instruments: Disclosures was also amended. The Company applied the amended disclosure requirements of FRS 107, together with FRS 109, for the year beginning 1 January 2023. It did not have a significant impact on the Company's financial statements.

(d) Transition disclosures - FRS 109

The Company adopted FRS 109 retrospectively. A reconciliation between the carrying amounts under FRS 39 and the balances reported under FRS 109 as of 1 January 2022 is as follows:

	FRS 39		FRS 109	
Financial assets	Category	Amount	Amount	Category
		$'000	$'000	
Investments securities (equity)	FVPL	16,622,586	16,622,586	FVPL
Investments securities (debt)	HTM	10,753,178	10,753,178	AC
Cash and bank balances	L&R	104,175,102	104,175,102	AC
Other assets and receivables *	L&R	611,890	611,890	AC
		132,162,756	132,162,756	

***** Excluding prepayments amounting to $248,069 and GST receivable amounting to $551,822

2. Summary of material accounting policy information (cont'd)

2.4 *Standards issued but not yet effective*

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendment to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to FRS 116 Leases: Lease liability in a Sale and Leaseback	1 January 2024
Amendment to FRS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
Amendment to FRS 1-7 Statements of Cash Flows and FRS 7 Financial Instruments. Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025
Amendments to FRS 110 Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the above standards will have no material impact to the financial statements in the period of initial application.

2. Summary of material accounting policy information (cont'd)

2.5 *Foreign and functional currency*

The management has determined the currency of the primary economic environment in which the Company operates, i.e. the functional currency, to be Singapore dollars. Premium income, insurance claims and major operating expenses are primarily influenced by fluctuations in Singapore dollars.

Transactions in foreign currencies are translated to the functional currency of the Company and are recorded on initial recognition at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items are measured at fair value in a foreign currency and are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balances sheet date are recognised in the profit or loss account.

2.6 *Classification of insurance contracts and reinsurance contracts*

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include motor vehicles, employers' liability, property, bond and guarantee, maid, hospital and surgical, foreign workers medical insurance and others. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Company does not issue any contracts with direct participating features.

2.7 *Recognition and measurement of insurance and reinsurance contracts*

The accounting policies adopted by the Company are summarised, as follows:

i) *Separating components from insurance and reinsurance contracts*

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another FRS instead of under FRS 117. After separating any distinct components, the Company applies FRS 117 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation. Some reinsurance contracts held have features that may potentially be treated as non-distinct investment component ("NDIC"), where NDIC is defined as that ceding commission that are repaid to the cedant in all circumstances, except when the amount is settled net of premium.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

ii) *Level of aggregation*

FRS 117 requires an entity to determine the level of aggregation for applying its requirements. "The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). FRS 117 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart..

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows: (a) A group of contracts that are onerous at initial recognition (if any), (b) A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any), (c) A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on combined loss ratio.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

iii) *Onerous group of contracts*

The Company has assessed the historical performance of each contract in order to conclude whether it should be classified as loss making. In addition, the expected combined operating ratio for each policy will be used to inform the group of contracts as onerous. Specific analysis and justification will be made at each reporting period.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

iv) *Recognition*

The Company recognises groups of insurance contracts it issues from the earliest of the following:

(a) The beginning of the coverage period of the group of contracts
(b) The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
(c) The date when group of contracts become onerous
(d) The date of declaration for policies with coverage based on declaration

The Company recognises a group of reinsurance contracts held it has entered from the earlier of the following:

(a) The beginning of the coverage period of the group of reinsurance contract held
(b) The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before the date

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

v) *Contract boundary*

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

A substantive obligation to provide insurance contract services ends when:

a) The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risk; or

b) both of the following criteria are satisfied:

   i) the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio

   ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

v) *Contract boundary (cont'd)*

The analysis on the contract written was based on the following criteria:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts

vi) *Discount rate*

FRS 117 outlines two prescribed methods; namely: bottom-up and top-down methods, for generating a yield curve to be used for the discounting calculation.

The Company considered the bottom-up method to be the most appropriate in order to determine the yield curves required under FRS 117. The Company used Singapore Government Bond yield curve as the proxy for liquid risk-free rate.

vii) *Risk Adjustment*

Risk adjustments for non-financial risk is the compensation that the Company requires for bearing uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that the Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

For contracts with contract boundary of one year or less are automatically eligible for the PAA and those which pass the PAA eligibility test, the risk adjustment valuation may therefore only be required for liability for incurred claims as the Company would expect the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, for the risk adjustment calculation permitted under FRS 117, the Company applies a provision of risk margin for adverse deviation ("PAD") to determine the risk adjustment for non-financial risk. The PAD allows for the possibility that reinsured claims may be higher than expected and ensures the sufficiency of reserves at 75% confidence level.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

2.7.1 *Insurance contracts – initial measurement*

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to Note 2.7(v)).

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

- In assessing materiality, the Company has also considered qualitative factors such as the average duration of contracts and proportion of the contracts longer than one year.

- The Company has performed the PAA eligibility assessment and concluded to apply PAA as the default measurement for all of insurance contracts, unless at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increased with, for example:

    a) The extent of future cash flows related to any derivatives embedded in the contracts
    b) The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition

- Minus any insurance acquisition cash flows at that date

- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and

- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

2.7.1 *Insurance contracts – initial measurement (cont'd)*

The Company shall assume no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company shall assess whether contracts that are not onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.7.9

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The insurance acquisition cash flows will be amortised over the period on the basis of the passage of time.

2.7.2 *Reinsurance contracts held – initial measurement*

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

2.7.3 *Insurance contracts – subsequent measurement*

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus insurance acquisition cash flows

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims.

The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company adjusts the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised

2.7.4 *Reinsurance contracts held – subsequent measurement*

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

2.7.5 *Insurance acquisition cash flows*

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The insurance acquisition cash flows will be amortised over the period on the basis of the passage of time.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

2.7.6 *Insurance contracts – modification and derecognition*

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled, or expired)

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract

  When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

2.7.7 *Presentation*

The Company has presented separately, in the balance sheet, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to. The Company disaggregates the total amount recognised in the statement of comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses, if any. The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

2.7.8 *Insurance revenue*

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

2. Summary of material accounting policy information (cont'd)

2.7 *Recognition and measurement of insurance and reinsurance contracts (cont'd)*

2.7.9 *Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

2.7.10 *Loss-recovery components*

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

2.7.11 *Net income or expense from reinsurance contracts held*

The Company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income.

2.7.12 *Insurance finance income or expenses*

Insurance finance income or expenses comprise the changes in the carrying amount of the group of insurance contract arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk

The Company does not disaggregate the insurance finance income or expenses into other comprehensive income for all portfolios.

2.8 *Revenue recognition for non-(re)insurance contracts*

Interest income is recognised and accounted for on an accrual basis.

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

2. Summary of material accounting policy information (cont'd)

2.9 *Property and equipment*

All items of property and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, property and equipment. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation. Depreciation of the property and equipment is calculated to write-off the cost of assets over their estimated useful lives, except for depreciation of motor vehicles which is calculated to write-off the cost of the motor vehicle less its scrap value at the end of 5 years.

Furniture and fittings, office equipment and computers	-	5 to 10 years
Office renovation	-	5 years
Motor vehicles	-	5 years (to scrap value)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss in the year the asset is derecognised.

2.10 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

2. Summary of material accounting policy information (cont'd)

2.10 *Impairment of non-financial assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term bank deposits that are readily convertible to known amount of cash, with original maturities of three months or less, and which are subject to an insignificant risk of changes in value but excludes deposits held on behalf of policyholders.

2.12 *Provisions*

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.13 *Employee benefits*

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability as a result of service rendered by employees up to the end of the reporting date.

2. Summary of material accounting policy information (cont'd)

2.14 *Taxes*

(b) *Current income tax*

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

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

Deferred taxes are recognised in the statement of profit or loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

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

2. Summary of material accounting policy information (cont'd)

2.15 ***Financial instruments***

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company classifies investment securities that are held-for-trading as financial assets at fair value through profit or loss.

(ii) *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category the cash, bank balances and deposits, investments at amortised costs, and other receivables.

2. Summary of material accounting policy information (cont'd)

2.15 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iii) *Financial assets at fair value through other comprehensive income ("FVOCI")*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

The Company does not have financial assets measured at fair value through other comprehensive income.

De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flow from the assets have expired, substantially all of the risks and rewards of ownership of the asset or control of the assets are transferred. On derecognition of a financial asset in its entirety, the differences between the carrying amount and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of material accounting policy information (cont'd)

2.15 ***Financial instruments (cont'd)***

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

(i) *Financial liabilities at fair value through profit or loss ("FVPL")*

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

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

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process. This category includes all financial liabilities. The Company includes in this category the amount due to related party, as well as, accruals and other payables.

2. Summary of material accounting policy information (cont'd)

2.15 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Subsequent measurement (cont'd)

(ii) *Financial liabilities at amortised cost (cont'd)*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the financial instruments but does not consider Expected Credit Loss ("ECL"). The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. Summary of material accounting policy information (cont'd)

2.16 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses ("ECLs") for all financial assets measured at amortised cost using the simplified approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

In certain cases, the Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 *Leases*

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

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

2. Summary of material accounting policy information (cont'd)

2.17 *Leases (cont'd)*

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced leased payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contract a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.18 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.19 *Events after the reporting date*

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

2. Summary of material accounting policy information (cont'd)

2.20 *Related parties*

A related party is defined as follows:

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the head office of the Company

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

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

a) *Insurance and reinsurance contracts*

The insurance contract liabilities of the Company comprise the liability for remaining coverage and liability for incurred claims. The liability for remaining coverage reflects premium received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided. Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component. The liability for incurred claims is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

i. Insurance acquisition cash flows

Insurance acquisition cash flows will be amortised over the coverage period on the basis of the passage of time.

ii. Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with the reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

iii. Time value of money

The Company will adjust the insurance contract liabilities to reflect the time value of money, except for the liability for remaining coverage as the Company does not have significant financing component.

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

a) *Insurance and reinsurance contracts (cont'd)*

iv. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of group of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentile.

(b) *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the Singapore tax authority. Such differences of interpretation may arise on a wide variety of issues.

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

(c) *Determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it reasonable certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under its tenancy agreement to lease the office space for an additional term of 3 years. The Company apples judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

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

(d) *Leases – Estimating incremental borrowing rate*

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

4. Property and equipment

	Furniture and fittings $	Office equipment and computers $	Office renovation $	Motor vehicles $	Total $
Cost					
At 1 January 2022	209,502	3,120,947	631,957	232,888	4,195,294
Additions	–	515,970	5,680	–	521,650
Disposals	–	–	–	–	–
At 31 December 2022 and 1 January 2023	209,502	3,636,917	637,637	232,888	4,716,944
Additions	135,742	564,325	635,161	–	1,335,228
Disposals	(123,132)	(144,603)	(637,637)	–	(905,372)
At 31 December 2023	222,112	4,056,639	635,161	232,888	5,146,800
Accumulated depreciation					
At 1 January 2022	146,144	2,595,915	629,316	109,198	3,480,573
Charge for the year	19,164	235,536	1,978	38,541	295,219
Disposals	–	–	–	–	–
At 31 December 2022 and 1 January 2023	165,308	2,831,451	631,294	147,739	3,775,792
Charge for the year	21,871	297,067	43,512	38,541	400,991
Disposals	(109,350)	(143,116)	(632,463)	–	(884,929)
At 31 December 2023	77,829	2,985,402	42,343	186,280	3,291,854
Net carrying amounts					
At 31 December 2022	44,194	805,466	6,343	85,149	941,152
At 31 December 2023	144,283	1,071,237	592,818	46,608	1,854,946

5. Leases

The Company leases office space and office equipment for the purpose of business operations.

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

	Office space $	Office equipment $	Total $
Cost			
At 1 January 2022	1,938,185	88,978	2,027,163
Additions	–	–	–
Termination	–	–	–
At 31 December 2022 and 1 January 2023	1,938,185	88,978	2,027,163
Additions	3,721,403	–	3,721,403
Retirement/termination	(2,330,546)	(10,480)	(2,341,026)
At 31 December 2023	3,329,042	78,498	3,407,540
Accumulated depreciation			
At 1 January 2022	1,076,761	18,894	1,095,655
Charge for the year	646,056	19,188	665,244
Termination	–	–	–
At 31 December 2022 and 1 January 2023	1,722,817	38,082	1,760,899
Charge for the year	662,632	16,860	679,492
Retirement/termination	(2,274,481)	(10,474)	(2,284,955)
At 31 December 2023	110,968	44,468	155,436
Net carrying amounts			
At 31 December 2022	215,368	50,896	266,264
At 31 December 2023	3,218,074	34,030	3,252,104

5. Leases (cont'd)

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

	Office space $	Office equipment $	Total $
Lease liabilities			
At 1 January 2022	875,524	70,286	945,810
Additions	–	–	–
Accretion of interest	11,332	352	11,684
Payments	(665,820)	(19,500)	(685,320)
At 31 December 2022 and 1 January 2023	221,036	51,138	272,174
Additions	3,664,853	–	3,664,853
Accretion of interest	11,209	218	11,427
Payments	(685,380)	(17,100)	(702,480)
At 31 December 2023	3,211,718	34,256	3,245,974
Current	647,429	15,764	663,193
Non-current	2,564,289	18,492	2,582,781

The following are the amounts recognised in profit or loss:

	2023 $	2022 $
Depreciation of right-of-use assets	679,492	665,244
Interest expense on lease liabilities	11,427	11,684
Total expense recognised in profit or loss	690,919	676,928

6. Investment securities

	2023 $	2022 $
Non-current:		
Investments at amortised cost		
- Bonds (quoted)	14,505,327	11,502,047
	14,505,327	11,502,047
Current:		
Investments at amortised cost		
- Bonds (quoted)	3,000,000	4,000,000
	3,000,000	4,000,000
Investments mandatorily measured at fair value through profit or loss		
- Equity instruments (quoted)	15,745,379	15,516,462
	18,745,379	19,516,462

Investments in bonds bear interest ranging from 1.739% to 5.10% per annum (2022: 1.73% to 3.80%).

The following table sets out the carrying amount, by maturity of the Company's investment securities.

	Less than 1 year $'000	2 years to 5 years $'000	Over 5 years $'000	Total $'000
31 December 2023				
Investment securities	18,745	8,000	6,506	33,251
31 December 2022				
Investment securities	19,516	7,000	4,503	31,019

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6. Investment securities (cont'd)

(a) *Fair value of financial instruments that are carried at fair value*

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

2023	**Quoted prices in active markets for identical instruments (Level 1)** $'000	**Significant other observable inputs (Level 2)** $'000	**Significant unobservable inputs (Level 3)** $'000	**Total** $'000
Financial assets:				
Investments mandatorily measured at fair value through profit or loss				
- Equity instruments (quoted)	15,745	–	–	15,745
At 31 December 2023	15,745	–	–	15,745

2022	**Quoted prices in active markets for identical instruments (Level 1)** $'000	**Significant other observable inputs (Level 2)** $'000	**Significant unobservable inputs (Level 3)** $'000	**Total** $'000
Financial assets:				
Investments mandatorily measured at fair value through profit or loss				
- Equity instruments (quoted)	15,516	–	–	15,516
At 31 December 2022	15,516	–	–	15,516

6. Investment securities (cont'd)

(b) *Fair value hierarchy*

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

(c) *Determination of fair value*

Quoted equity and bond instruments: Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Unquoted corporate bonds: Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

(d) *Fair value of financial instruments that are carried at amortised cost*

The following shows an analysis of financial instruments carried at amortised cost in the financial statements and their respective fair value:

	Carrying value $'000	**Fair value** $'000
2023		
Quoted investments		
Corporate bonds, at cost	17,506	17,255
Less: Amortisation of premiums	1	–
	17,505	17,255
2022		
Quoted investments		
Corporate bonds, at cost	15,503	14,697
Less: Amortisation of premiums	1	–
	15,502	14,697

6. Investment securities (cont'd)

(d) *Fair value of financial instruments that are carried at amortised cost (cont'd)*

	Carrying value $'000	Fair value $'000
2023		
Unquoted investments		
Corporate bonds, at cost	–	–
Add: Amortisation of discounts	–	–
	–	–
2022		
Unquoted investments		
Corporate bonds, at cost	–	–
Add: Amortisation of discounts	–	–
	–	–

The following table shows an analysis of financial instruments carried at amortised cost but for which fair value is disclosed by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2023				
Financial assets:				
Investments at amortised cost				
- Bonds (quoted)	17,255	–	–	17,255
- Bonds (unquoted)	–	–	–	–
At 31 December 2023	17,255	–	–	17,255
2022				
Financial assets:				
Investments at amortised cost				
- Bonds (quoted)	14,697	–	–	14,697
- Bonds (unquoted)	–	–	–	–
At 31 December 2022	14,697	–	–	14,697

7. Amounts due from/(due to) related companies

	2023 $	2022 $
Non-trade related	–	–
Amounts due from related companies	–	–
Non-trade related	(58,718)	(59,367)
Amounts due to related companies	(58,718)	(59,367)

8. Other receivables

	2023 $	2022 $
Accrued interest income	1,953,208	863,928
Income tax recoverable	2,863	2,395
	1,956,071	866,323

9. Cash, bank balances and deposits

Cash and cash equivalents comprise the following:

	2023 $	2022 $
Fixed deposits	121,897,064	107,114,595
Cash and bank balances	16,886,822	12,264,940
Cash, bank balances and deposits included in the balance sheet which approximate fair value	138,783,886	119,379,535
Deposits held on behalf of policyholders in respect of insurance business (Note 10)	(19,606,882)	(15,768,768)
Deposits with maturities of more than 3 months other than those held on behalf of policyholders	(102,290,181)	(85,852,765)
Cash and cash equivalents included in the cash flow statement	16,886,823	17,758,002

Cash, bank balances and deposits denominated in foreign currencies at 31 December are as follows:

	2023	2022
United States Dollar	1,787,708	1,651,910
Malaysian Ringgit	38,582	41,016
Singapore Dollar	136,957,596	117,686,609
	138,783,886	119,379,535

9. Cash, bank balances and deposits (cont'd)

Fixed deposits are placed with reputable financial institutions for varying periods not exceeding one year, depending on the immediate cash requirements of the Company, and earn interest at the prevailing fixed deposit rates which range from 3.0% to 5.1% per annum (2022: 0.58% to 4.50%).

The Company entered into a Bank Guarantee facility of up to $6,000,000 (2022: $6,000,000) with a financial institution for its insurance business. The facility requires the Company to place deposits with the financial institution equivalent to the amounts drawn against the facility. As at 31 December 2023, the Company has drawn down an amount of $1,295,950.20 (2022: $1,656,517.24) in bank guarantees against the facilities and has placed fixed deposits of the same amount with the financial institution.

10. Other payables

	2023 $	2022 $
Cash collateral placed by policyholders	19,606,882	15,768,768
Dividend payable	220,000	–
Provisions	198,600	160,000
Others	733,926	464,232
	20,759,408	16,393,000

The cash collateral obtained from policyholders are held in bank accounts or placed in fixed deposits with financial institutions.

The carrying amounts of other payables approximate their fair values due to the short-term nature of these balances.

11. Insurance contract liabilities

The breakdown of groups of insurance contracts issued and reinsurance contracts held that are in an asset position and those in a liability position is set out in the table below:

	2023			2022		
	Assets S$'000	**Liabilities** S$'000	**Net** S$'000	**Assets** S$'000	**Liabilities** S$'000	**Net** S$'000
Insurance contracts issued	–	97,943	97,943	–	85,703	85,703
Reinsurance contracts held	11,513	–	11,513	10,419	–	10,419

The Company has determined not to disaggregate the disclosure in respect of product lines separately for the roll forward disclosure, hence, at Company level, however, there is a disaggregation of reserves by portfolio as disclosed in Note 21(a). This has been determined based on how the Company is managed.

11. Insurance contract liabilities (cont'd)

As at 31 December 2023	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Insurance contracts that are liabilities at beginning of period	26,924	1,150	52,595	5,034	85,703
Insurance contracts that are assets at beginning of period	–	–	–	–	–
Insurance contract liabilities/(assets) at beginning of period	26,924	1,150	52,595	5,034	85,703
Insurance revenue	(69,842)	–	–	–	(69,842)
Incurred claims and other directly attributable expenses	–	1,036	38,694	2,963	42,693
Changes that relate to past service – changes in FCF relating to LIC	–	–	4,141	(2,609)	1,532
Losses on onerous contracts and reversal of those losses	–	(83)	–	–	(83)
Insurance acquisition cash flows amortisations	16,470	–	–	–	16,470
Insurance service expense	16,470	953	42,835	354	60,612
Insurance service result	(53,372)	953	42,835	354	(9,230)
Finance expense/(income) from insurance contract issued recognised	–	–	886	–	886
Total amount recognised in comprehensive income	(53,372)	953	43,721	354	(8,344)

11. Insurance contract liabilities (cont'd)

As at 31 December 2023	**Liability for remaining coverage**		**Liability for incurred claims**		
	Excluding loss component $'000	**Loss component** $'000	**Present value of future cash flows** $'000	**Risk adjustment for non-financial risk** $'000	**Total** $'000
Total amount recognised in comprehensive income	(53,372)	953	43,721	354	(8,344)
Cash flows					
Premium received	76,592	–	–	–	76,592
Claims and other directly attributable expenses paid	–	–	(38,088)	–	(38,088)
Insurance acquisition cash flows	(17,920)	–	–	–	(17,920)
Total cash flows	58,672	–	(38,088)	–	20,584
Insurance contract liabilities/(assets) at end of period	32,224	2,103	58,228	5,388	97,943
Insurance contract that are liabilities at end of period	32,224	2,103	58,228	5,388	97,943
Insurance contract that are assets at end of period	–	–	–	–	–

11. Insurance contract liabilities (cont'd)

As at 31 December 2022	**Liability for remaining coverage**		**Liability for incurred claims**		
	Excluding loss component $'000	**Loss component** $'000	**Present value of future cash flows** $'000	**Risk adjustment for non-financial risk** $'000	**Total** $'000
Insurance contracts that are liabilities at beginning of period	18,384	2,267	48,930	4,473	74,054
Insurance contracts that are assets at beginning of period	–	–	–	–	–
Insurance contract liabilities/(assets) at beginning of period	18,384	2,267	48,930	4,473	74,054
Insurance revenue	(57,804)	–	–	–	(57,804)
Incurred claims and other directly attributable expenses	–	2,072	32,203	2,740	37,015
Changes that relate to past service – changes in FCF relating to LIC	–	–	4,214	(2,179)	2,035
Losses on onerous contracts and reversal of those losses	–	(3,189)	–	–	(3,189)
Insurance acquisition cash flows amortisations	13,626	–	–	–	13,626
Insurance service expense	13,626	(1,117)	36,417	561	49,487
Insurance service result	(44,178)	(1,117)	36,417	561	(8,317)
Finance expense/(income) from insurance contract issued recognised	–	–	(1,097)	–	(1,097)
Total amount recognised in comprehensive income	(44,178)	(1,117)	35,320	561	(9,414)

11. Insurance contract liabilities (cont'd)

As at 31 December 2022	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Total amount recognised in comprehensive income	(44,178)	(1,117)	35,320	561	(9,414)
Cash flows					
Premium received	68,113	–	–	–	68,113
Claims and other directly attributable expenses paid	–	–	(31,655)	–	(31,655)
Insurance acquisition cash flows	(15,395)	–	–	–	(15,395)
Total cash flows	52,718	–	(31,655)	–	21,063
Insurance contract liabilities/(assets) at end of period	26,924	1,150	52,595	5,034	85,703
Insurance contract that are liabilities at end of period	26,924	1,150	52,595	5,034	85,703
Insurance contract that are assets at end of period	–	–	–	–	–

12. Reinsurance contract assets

As at 31 December 2023	**Asset for remaining coverage**		**Asset for incurred claims**		
	Excluding loss recovery component $'000	**Loss recovery component** $'000	**Present value of future cash flows** $'000	**Risk adjustment for non-financial risk** $'000	**Total** $'000
Reinsurance contracts held that are liabilities at beginning of period	–	–	–	–	–
Reinsurance contracts held that are assets at beginning of period	2,928	7	6,389	1,095	10,419
Reinsurance contract held assets/(liabilities) at beginning of period	2,928	7	6,389	1,095	10,419
Allocation of reinsurance premiums	(9,195)	–	–	–	(9,195)
Amounts recoverable for incurred claims and other expenses	–	–	525	607	1,132
Changes to amounts recoverable for incurred claims	–	–	2,259	(650)	1,609
Loss recovery on onerous underlying contracts and adjustments	–	621	–	–	621
Amounts recoverable from reinsurers for incurred claims	–	621	2,784	(43)	3,362
Net expenses from reinsurance contracts held	(9,195)	621	2,784	(43)	(5,833)
Finance income from reinsurance contracts held	–	1	146	–	147
Total amount recognised in comprehensive income	(9,195)	622	2,930	(43)	(5,686)

12. Reinsurance contract assets (cont'd)

As at 31 December 2023	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component $'000	Loss recovery component $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Total amount recognised in comprehensive income	(9,195)	622	2,930	(43)	(5,686)
Reinsurance investment component	809	–	(809)	–	–
Cash flows					
Premium paid net of ceding commissions and other directly attributable expenses	9,090	–	–	–	9,090
Recoveries from reinsurance	–	–	(2,310)	–	(2,310)
Total cash flows	9,090	–	(2,310)	–	6,780
Reinsurance contract assets/(liabilities) at end of period	3,632	629	6,200	1,052	11,513
Reinsurance contract held that are liabilities at end of period	–	–	–	–	–
Reinsurance contract held that are assets at end of period	3,632	629	6,200	1,052	11,513

12. Reinsurance contract assets (cont'd)

As at 31 December 2022

	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component $'000	**Loss recovery component** $'000	**Present value of future cash flows** $'000	**Risk adjustment for non-financial risk** $'000	**Total** $'000
Reinsurance contracts held that are liabilities at beginning of period	–	–	–	–	–
Reinsurance contracts held that are assets at beginning of period	1,241	16	6,883	842	8,982
Reinsurance contract held assets/(liabilities) at beginning of period	1,241	16	6,883	842	8,982
Allocation of reinsurance premiums	(5,632)	–	–	–	(5,632)
Amounts recoverable for incurred claims and other expenses	–	–	21,437	(2,311)	19,126
Changes to amounts recoverable for incurred claims	–	–	(19,210)	2,564	(16,646)
Reversal of loss recovery on onerous underlying contracts and adjustments	–	(10)	–	–	(10)
Amounts recoverable from reinsurers for incurred claims	–	(10)	2,227	253	2,470
Net expenses from reinsurance contracts held	(5,632)	(10)	2,227	253	(3,162)
Finance income from reinsurance contracts held	–	1	(73)	–	(72)
Total amount recognised in comprehensive income	(5,632)	(9)	2,154	253	(3,234)

12. Reinsurance contract assets (cont'd)

As at 31 December 2022	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component $'000	Loss recovery component $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Total amount recognised in comprehensive income	(5,632)	(9)	2,154	253	(3,234)
Reinsurance investment component	676	–	(676)	–	–
Cash flows					
Premium paid net of ceding commissions and other directly attributable expenses	6,643	–	–	–	6,643
Recoveries from reinsurance	–	–	(1,972)	–	(1,972)
Total cash flows	6,643	–	(1,972)	–	4,671
Reinsurance contract assets/(liabilities) at end of period	2,928	7	6,389	1,095	10,419
Reinsurance contract held that are liabilities at end of period	–	–	–	–	–
Reinsurance contract held that are assets at end of period	2,928	7	6,389	1,095	10,419

13. Deferred tax liabilities/(assets) - net

	2023 $	2022 $
Deferred income tax liabilities/(assets)	pro	
An excess of tax written down value over book depreciation of property and equipment	292,033	117,616
Revaluations to fair value:		
- Investments at fair value through profit or loss	–	395,903
- Investments at amortised costs	–	–
Amortisation of investments at amortised costs	–	(89)
Accrued interest	332,046	146,867
Unabsorbed tax losses	–	(3,131)
Unabsorbed capital allowances	–	(27,905)
Unabsorbed donations	–	(124)
Total net deferred tax liabilities/(assets)	624,079	629,137

Movement in net deferred tax liabilities/(assets) is as follows:

	2023 $	2022 $
At beginning of the year	629,137	(472,805)
(Credited)/debited to profit or loss (Note 17)	(5,058)	1,101,942
Credited to other comprehensive income	–	–
At end of the year	624,079	629,137

14. Share capital

	2023		2022	
	No. of shares issued	$	No. of shares issued	$
Issued and fully paid ordinary shares				
At 1 January and at 31 December	113,200,000	45,700,000	113,200,000	45,700,000
Shares issued during the year	–	–	–	–
At 31 December	113,200,000	45,700,000	113,200,000	45,700,000

The holders of ordinary shares as at 31 December 2023 are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

15. Net investment income

	2023 $	2022 $
Interest income on:		
- Fixed deposits	4,330,634	1,073,486
- Government securities and fixed interest securities	461,527	373,056
Dividend income on investment securities	815,597	692,613
Net realised gains on sale of investment securities	855,195	23,503
Net unrealised (losses)/gains on investment securities	(740,005)	117,264
Investment related expenses	(133,651)	(127,937)
	5,589,297	2,151,985

16. Net insurance finance (expense)/income

This is stated after charging/(crediting) the following:

	2023 $	2022 $
Finance (expenses)/income from insurance contracts issued		
Interest accreted	(1,543,575)	(159,511)
Effect of changes in interest rates and other financial assumptions	657,338	1,256,728
	(886,237)	1,097,217
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	194,423	21,484
Effect of changes in interest rates and other financial assumptions	(47,036)	(93,426)
	147,387	(71,942)
Net insurance finance (expense)/income	(738,850)	1,025,275

17. Taxation

(a) ***Major components of income tax expense for the year ended 31 December:***

	2023 $	2022 $
Current tax		
Provision for Singapore taxation in respect of profit for the year	1,176,251	–
Tax refund	–	–
Deferred taxation	(5,058)	1,101,942
Tax expense	1,171,193	1,101,942

(b) ***Relationship between tax expense and accounting profit***

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

	2023 $	2022 $
Profit before tax	8,461,204	8,575,925
Tax at statutory rate of 17% (2022:17%)	1,438,405	1,457,907
Adjustments:		
Non-deductible expenses and allowances	39,030	27,625
Income not subject to tax	(96,692)	(67,724)
Tax effect of income brought to tax at 10%	(24,909)	(15,578)
Others	(184,641)	(300,288)
Tax expense	1,171,193	1,101,942

In 2023, the Company has no unabsorbed tax losses, capital allowances and donations (2022: $183,296) available for offset against future taxable profits. There was no deferred tax asset to be recognised on these tax losses, capital allowances and donations (2022: $31,160). The use of the tax losses is subject to arrangement of the tax authorities and compliance with certain provisions of the tax legislation.

18. Hire purchase payables

Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

	2023		2022	
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	$	$	$	$
Not later than one year	8,772	7,733	26,316	23,200
Later than one year but not later than five years	–	–	8,772	7,733
Later than five years	–	–	–	–
Total minimum lease payments	8,772	7,733	35,088	30,933
Less: Amounts representing finance charges	(1,039)	–	(4,155)	–
Present value of minimum lease	7,733	7,733	30,933	30,933

19. Related party transactions

An entity or individual is considered a related party of the Company for the purposes of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or (ii) it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties who are not members of the Company took place during the year at terms agreed between the parties:

	2023	**2022**
	$	$
Holding company		
Operating expenses	14,500	13,250
Management fees	774,737	654,781
Related companies and related parties		
Payment deducted from operating expenses – net	2,654	(5,947)
Commission expense	113,244	122,493
Insurance premium to a related party insurance broker	99,051	98,567
Secretarial fee	5,580	4,898
Travelling expenses	79,542	177,876
Purchase of goods	12,300	8,867
Key management remuneration		
Salaries (including benefits-in-kind)	1,123,130	1,015,791
CPF	43,357	43,348

20. Expenses

	2023	2022
	$	$
Claims and other expenses	44,224,453	39,049,993
Commissions and other underwriting expenses	15,882,315	12,756,197
Losses on onerous contract and reversal of losses	(82,761)	(3,188,931)
Salaries and other staff costs	8,415,234	7,232,224
CPF contributions	712,245	656,312
Management fees	774,737	654,781
Depreciation of property and equipment	400,991	295,219
Depreciation of right-of-use assets	679,492	665,244
Computer expenses	376,054	491,987
Rental and utilities	191,049	197,338
Directors' fees	183,600	165,600
Chairman's fees	130,000	130,000
Subscriptions and licenses	115,591	110,289
Maintenance expenses	55,586	51,566
Others	1,181,670	918,920
	73,240,256	60,186,739
Amounts attributed to insurance acquisition and maintenance costs incurred during the year	(28,964,913)	(24,197,740)
Amortisation of insurance acquisition cash flows	16,470,504	13,626,319
	60,745,847	49,615,318
Represented by:		
Insurance service expense	60,612,196	49,487,381
Other operating expenses	–	–
Investment related expenses *	133,651	127,937
	60,745,847	49,615,318

* *Presented as an offset from investment income in Note 15*

21. Financial risk management

Financial risk management objectives and policies

The Company is exposed to insurance risk, credit risk, liquidity risk, market risk, primarily changes in interest rates and foreign currency exchange rates as well as using other instruments in connection with its risk management activities. The Company does not hold or issue derivative financial instruments for hedging and trading purposes.

The Company has written risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy. Such written policies are reviewed annually by the Board of Directors and monthly reviews are undertaken to ensure that the Company's policy guidelines are adhered to.

(a) *Insurance risk*

The Company writes a book of general insurance business comprising mainly motor, workmen's compensation, health and surety.

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

The risk under insurance contract is the possibility of occurrence of 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 will differ from those expected
Severity risk	-	the possibility that the cost of the events 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.

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:

- Guidelines are issued for concluding reinsurance contracts and assuming reinsurance 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 sufficiently large population or risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk and industry.

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

The Company relies on its reinsurance arrangements for its liquidity and solvency where large loss arises. Its reinsurance placements are diversified and spread amongst selected reinsurers to avoid over reliance on any single reinsurer.

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

The table below sets out the concentration of the general insurance risk as at balance sheet date:

By portfolio	**General insurance contracts**			
	As at 31 December 2023		**As at 31 December 2022**	
	Insurance Contracts Issued	**Reinsurance Contracts Held**	**Insurance Contracts Issued**	**Reinsurance Contracts Held**
	$	$	$	$
Cargo	1,945,686	(1,134,345)	1,365,469	(707,822)
Hull	669,117	(141,819)	644,596	(1,189,692)
Fire	3,221,554	(1,094,695)	3,080,658	(933,046)
Motor	38,560,804	(2,608,931)	32,591,660	(2,156,164)
Workmen's compensation	30,367,139	(643,693)	29,088,359	(626,550)
Personal accident	639,713	(60,094)	417,259	(47,046)
Health	5,789,144	(317,013)	4,822,842	(229,569)
Public liability	2,940,132	(53,667)	2,845,404	(14,163)
Bonds	8,045,751	(2,798,552)	6,099,724	(1,793,277)
Engineering	5,045,998	(2,163,725)	4,073,554	(2,214,459)
Professional indemnity	131,407	(368,067)	145,996	(309,265)
Trade credit	1,783	18	80,151	(50,340)
Miscellaneous	584,782	(128,568)	447,058	(147,879)
	97,943,010	(11,513,151)	85,702,730	(10,419,272)

Most of the Company's business is derived from Singapore and, accordingly, a geographical analysis by country is not relevant to the Company.

<u>Insurance contract liabilities - assumptions and sensitivities</u>

As this is the sixteenth year the Company is operating its direct general insurance business, its claims reserving and review processes had improved to capture the latest available information and speed up claims settlements. The claims liabilities are reviewed by the external appointed actuary, JP Wall Consulting Partners.

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

Sensitivity analysis

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

	As at 31 December 2023					
	Impact on LIC		**Impact on profit before tax**		**Impact on equity**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
	$	$	$	$	$	$
Discount rate (+5%)	(115,249)	(98,145)	171,418	138,647	171,418	138,647
Discount rate (-5%)	115,800	98,560	(172,269)	(139,274)	(172,269)	(139,274)

	As at 31 December 2022					
	Impact on LIC		**Impact on profit before tax**		**Impact on equity**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
	$	$	$	$	$	$
Discount rate (+5%)	(117,008)	(101,670)	166,512	151,118	166,512	151,118
Discount rate (-5%)	117,596	102,182	(167,386)	(151,916)	(167,386)	(151,916)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payment to date.

As required by FRS 117, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of setting claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims become more certain.

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

Claim development table (cont'd)

Undiscounted liabilities for incurred claims - Gross of reinsurance

Accident Year	**<2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year	–	–	35,886	40,657	45,065	
1 year later	–	27,552	32,116	36,131		
2 years later	331,911	24,115	28,586			
3 years later	327,106	22,436				
4 years later	325,044					
Gross estimate of the undiscounted amount of the claims	325,044	22,436	28,586	36,131	45,065	457,262
Cumulative payments to date	(319,447)	(19,947)	(22,013)	(23,012)	(12,308)	(396,727)
Gross undiscounted liabilities for incurred claims	5,597	2,489	6,573	13,119	32,757	60,535
Effect of discounting						(1,871)
Other provisions and accruals for ISE						4,952
						63,616

Undiscounted liabilities for incurred claims - Net of reinsurance

Accident Year	**<2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year	–	–	33,531	35,649	41,131	
1 year later	–	25,848	30,785	32,252		
2 years later	274,271	23,096	27,569			
3 years later	271,531	22,013				
4 years later	269,744					
Net estimate of the undiscounted amount of the claims	269,744	22,013	27,569	32,252	41,131	392,709
Cumulative payments to date	(264,195)	(19,715)	(21,735)	(21,657)	(11,698)	(339,000)
Net undiscounted liabilities for incurred claims	5,549	2,298	5,834	10,595	29,433	53,709
Effect of discounting						(2,296)
Other provisions and accruals for ISE						4,952
						56,365

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk*

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio. The Company does not use derivative financial instruments to hedge its investment portfolio. The portfolio includes only debt securities which are primarily held to maturity and with active secondary or resale markets to ensure portfolio liquidity. The Company does not have significant exposure to fluctuations in interest rates since almost all of its debt securities and cash and bank balances particularly its fixed deposits are held until maturity and these fixed deposits and debt securities have fixed interest rates.

(c) *Market price risk*

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

The Company's objective is to manage investment returns and equity price risk using investment grade shares with steady dividend yields. The Company's policy is to limit its interest in the FVPL equity shares to 20% (2022: 20%) of its entire investment portfolio (including fixed deposits).

At the balance sheet date, if the market prices of the equity investments had been 5% (2022: 5%) higher/lower with all other variables held constant, the Company's profit before tax would increase/decrease by $787,269 (2022: $775,823) as the Company held some equity investments classified as FVPL. The Company's equity would have been $787,269 (2022: $775,823) higher/lower, arising as a result of an increase/decrease in the fair value of FVPL equity instruments.

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

(d) *Credit risk*

Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Company. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments, hence, no provision for ECL was recognised for its financial assets at amortised cost such as cash and bank balances, investments at amortised costs and other assets (excluding prepayments and GST receivable), due to minimal exposure.

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of 31 December 2023 and 31 December 2022 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

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

The tables below indicate the credit risk exposure of the Company at 31 December 2023 and 2022 by classifying financial assets and liabilities according to cash ratings of the counterparties:

	AAA $	**AA** $	**A** $	**Others or not rated** $	**Total** $
At 31 December 2023					
In Singapore dollars					
Investments at fair value through profit or loss					
- Equity securities	–	6,736,061	2,621,402	6,387,916	15,745,379
Investments at amortised costs					
- Debt securities	5,750,000	2,999,341	5,003,437	3,752,549	17,505,327
Other assets*	43,863	110,170	1,765,983	495,236	2,415,252
Cash, bank balances and deposits	–	22,294,005	115,470,579	1,019,302	138,783,886
Total financial assets	5,793,863	32,139,577	124,861,401	11,655,003	174,449,844
Other payables**	–	225	–	20,825,634	20,825,859
Lease liabilities	–	–	–	3,245,974	3,245,974
Total financial liabilities	–	225	–	24,071,608	24,071,833

* Excluding prepayments amounting to $395,860 and GST receivable amounting to $694,919

** Excluding GST payable amounting to $1,257,639

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

	AAA $	AA $	A $	Others or not rated $	Total $
At 31 December 2022					
In Singapore dollars					
Investments at fair value through profit or loss					
- Equity securities	328,635	7,869,121	1,410,990	5,907,716	15,516,462
Investments at amortised costs					
- Debt securities	7,750,000	999,178	1,000,000	5,752,869	15,502,047
Other assets*	61,573	64,881	511,761	444,331	1,082,546
Cash, bank balances and deposits	–	24,131,962	92,412,299	2,835,274	119,379,535
Total financial assets	8,140,208	33,065,142	95,335,050	14,940,190	151,480,590
Other payables**	–	225	–	16,483,075	16,483,300
Lease liabilities	–	–	–	272,174	272,174
Total financial liabilities	–	225	–	16,755,249	16,755,474

* Excluding prepayments amounting to $353,709 and GST receivable amounting to $628,385

** Excluding GST payable amounting to $984,031

(e) *Foreign currency risk*

The Company underwrites its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates.

The Company does not use foreign currency forward exchange contracts or purchased currency options for hedging and trading purposes.

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(e) *Foreign currency risk (cont'd)*

The tables below show the foreign currency exchange position of the Company's assets and liabilities by major currencies:

	SGD $	**RM** $	**USD** $	**Others** $	**Total** $
At 31 December 2023					
In Singapore dollars					
Investments at fair value through profit or loss					
- Equity securities	15,745,379	–	–	–	15,745,379
Investments at amortised costs					
- Debt securities	17,505,327	–	–	–	17,505,327
Other assets*	2,401,991	–	13,261	–	2,415,252
Cash, bank balances and deposits	136,957,596	38,582	1,787,708	–	138,783,886
Total financial assets	172,610,293	38,582	1,800,969	–	174,449,844
Other payables **	20,825,859	–	–	–	20,825,859
Lease liabilities	3,245,974	–	–	–	3,245,974
Total financial liabilities	24,071,833	–	–	–	24,071,833

* Excluding prepayments amounting to $395,860 and GST receivable amounting to $694,919

** Excluding GST payable amounting to $1,257,639

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(e) *Foreign currency risk (cont'd)*

	SGD $	RM $	USD $	Others $	Total $
At 31 December 2022					
In Singapore dollars					
Investments at fair value through profit or loss					
- Equity securities	15,516,462	–	–	–	15,516,462
Investments at amortised costs					
- Debt securities	15,502,047	–	–	–	15,502,047
Other assets*	1,069,285	–	13,261	–	1,082,546
Cash, bank balances and deposits	117,686,609	41,016	1,651,910	–	119,379,535
Total financial assets	149,774,403	41,016	1,665,171	–	151,480,590
Other payables **	16,483,300	–	–	–	16,483,300
Lease liabilities	272,174	–	–	–	272,174
Total financial liabilities	16,755,474	–	–	–	16,755,474

* Excluding prepayments amounting to $353,709 and GST receivable amounting to $628,385

** Excluding GST payable amounting to $984,031

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(e) *Foreign currency risk (cont'd)*

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

	Profit before tax	
	2023	**2022**
	$'000	$'000
RM/SGD		
strengthened 5% (2022:5%)	-2	-2
weakened 5% (2022:5%)	+2	+2
USD/SGD		
strengthened 5% (2022:5%)	-90	-83
weakened 5% (2022:5%)	+90	+83

(f) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As at the balance sheet date, cash, bank balances and deposits, other receivables, and other payables, including those from related companies, and hire purchase payables will mature within one year except investment securities (refer to Note 6 for maturity profile) and lease liabilities with contractual undiscounted repayment obligations disclosures as per table below:

	Less than 1 year	**2 years to 5 years**	**Over 5 years**	**Total**
	$'000	$'000	$'000	$'000
31 December 2023				
Lease liabilities	693,920	2,635,065	–	3,328,985
31 December 2022				
Lease liabilities	239,040	34,450	–	273,490

21. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

Fair values

The carrying amounts of other receivables, other payables, including due from/to related companies and hire purchase payables, cash, bank balances and deposits approximate their fair values due to their short-term nature.

22. Capital management

The Company has established a capital management policy to ensure that the Company maintains adequate capital to support business growth, taking into consideration regulatory requirements, and the underlying risks of the Company's business and operations. Capital includes equity attributable to the owners of the Company less the available-for-sale investment fair value reserves.

The Company's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Company's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Company's exposure in the underlying risks of its business and operations;
- investing the Company's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Company's objective in growth and preservation of capital; and
- stress-testing the Company's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Company's financial stability.

The Company is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act 1966 and relevant Regulations. The Company has complied with such requirements during the financial year. The Company monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Company has no borrowings, contingent liabilities and loan capital as at 31 December 2023 (2022: Nil). There was no change in the Company's capital management objectives, policies and processes during the years ended 31 December 2023 and 31 December 2022.

23. Contingent liabilities - Litigation

In respect of insurance agreements entered into in the normal course of business, the Company will face legal actions and has contingent liabilities arising thereon, where proceedings have been brought on behalf of various alleged classes of claimants and certain of these claimants seek damages of unspecified amounts. Whilst the outcome of such matters cannot be predicted with certainty, it is the opinion of the management that the ultimate outcome of such litigation will not have a material adverse impact on the Company's financial conditions, results of operations or cash flows.

24. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2023 of the Company were authorised for issue in accordance with a resolution of the directors on 21 June 2024.