Company Registration No. 197800490N

EQ Insurance Company Limited

Annual Financial Statements
31 December 2022

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

5 Maxwell Road
#17-00 Tower Block
MND Complex
Singapore 069110

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 2022.

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 2022 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	1,621,670	32,264,810	32,264,810
Ng Tee Chuan	–	–	3,592,810	3,592,810
Tan Eng Seong Phillip	1,427,520	1,427,520	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 21 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
30 March 2023

EQ Insurance Company Limited

Independent auditor's report
For the financial year ended 31 December 2022

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 2022, 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 significant accounting policies.

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 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for other information. The other information comprises the 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

30 March 2023

EQ Insurance Company Limited

Balance sheet
As at 31 December 2022

	Notes	2022	2021
		$	$
Non-current assets			
Property and equipment	4	941,152	714,721
Right-of-use assets	5	266,264	931,508
Investment securities	6	11,502,047	9,753,178
Reinsurers' share of insurance contract liabilities	13	10,100,258	8,772,128
Deferred tax assets - net	14	–	472,805
		22,809,721	20,644,340
Current assets			
Investment securities	6	19,516,462	16,622,586
Prepayments and other current assets		1,198,317	1,012,214
Trade receivables	7	5,655,679	7,749,839
Amounts due from related companies	8	112,799	141,049
Other receivables	9	866,323	197,612
Cash, bank balances and deposits	10	119,379,535	104,175,102
Loans and receivables at amortised costs		126,014,336	112,263,602
		146,729,115	129,898,402
Current liabilities			
Other current liability		984,031	874,831
Trade payables	11	18,957,343	14,741,853
Amounts due to related companies	8	62,082	55,789
Other payables	12	4,086,118	3,748,321
Lease liabilities	5	237,917	673,637
Hire purchase payables at amortised cost	20	23,200	23,200
Financial liabilities carried at amortised costs		23,366,660	19,242,800
Net current assets		122,378,424	109,780,771
Non-current liabilities			
Gross insurance contract liabilities	13	83,438,980	72,198,030
Contingency reserves		35,118	35,118
Lease liabilities	5	34,257	272,173
Hire purchase payables at amortised cost	20	7,733	30,933
Deferred tax liabilities - net	14	629,137	–
		84,145,225	72,536,254
Net assets		61,042,920	57,888,857
Equity attributable to equity holder of the Company			
Share capital	15	45,700,000	45,700,000
Fair value reserve		–	–
Accumulated profit		15,342,920	12,188,857
Total equity		61,042,920	57,888,857

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 2022

	Notes	2022 $	2021 $
Gross written premium		65,478,127	55,490,910
Reinsurers' share of gross premiums written		(8,876,372)	(6,693,695)
Gross change in reserve for unexpired risk - net of deferred acquisition cost	13(b)	(6,518,212)	(3,506,004)
Reinsurers' share of gross change in reserve for unexpired risk - net of deferred acquisition cost	13(b)	1,595,019	1,283,384
Net earned premium		51,678,562	46,574,595
Gross claims paid	13(a)	(23,118,309)	(26,407,897)
Reinsurers' share of gross claims paid	13(a)	1,661,761	3,131,530
Gross change in loss reserves		(4,723,818)	3,464,579
Reinsurers' share of gross change in loss reserves		(266,889)	(4,445,201)
Net claims incurred		(26,447,255)	(24,256,989)
Commission expense		(10,761,124)	(9,083,209)
Commission income		1,865,357	1,372,641
Net commission		(8,895,767)	(7,710,568)
Other underwriting expenses		(2,023,678)	(1,722,412)
Other underwriting income		488,715	312,749
Underwriting profit from direct general insurance		14,800,577	13,197,375
Net underwriting results from reinsurance business (in run off)	16	1,080	175
Investment and other income	17	2,523,828	2,483,771
Other operating expenses		(11,569,480)	(10,512,332)
Profit before tax	18	5,756,005	5,168,989
Taxation	19	(1,101,942)	(906,766)
Profit for the year		4,654,063	4,262,223

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 2022

	2022 $	2021 $
Profit for the year	4,654,063	4,262,223
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Changes in value of available-for-sale financial assets:		
Net fair value losses on available-for-sale financial assets	–	(3,375)
Income tax relating to components of other comprehensive income (Note 14)	–	575
Other comprehensive loss for the year, net of tax	–	(2,800)
Total comprehensive income for the year	4,654,063	4,259,423

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 2022

	Note	Share capital	Reserves: Fair value reserve	Reserves: Accumulated profit	Total
		$	$	$	$
Balance as at 1 January 2022		45,700,000	–	12,188,857	57,888,857
Dividend paid during the year *		–	–	(1,500,000)	(1,500,000)
Profit, net of tax		–	–	4,654,063	4,654,063
Other comprehensive loss for the year, net of tax		–	–	–	–
Movement during the year		–	–	3,154,063	3,154,063
Balance as at 31 December 2022		45,700,000	–	15,342,920	61,042,920
Balance as at 1 January 2021		45,700,000	2,800	9,126,634	54,829,434
Dividend paid during the year *		–	–	(1,200,000)	(1,200,000)
Profit, net of tax		–	–	4,262,223	4,262,223
Other comprehensive loss for the year, net of tax		–	(2,800)	–	(2,800)
Movement during the year		–	(2,800)	3,062,223	3,059,423
Balance as at 31 December 2021		45,700,000	–	12,188,857	57,888,857

* Interim one-tier tax exempt dividend of 0.013 cents per ordinary share (2021: 0.011 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 2022

	2022 $	2021 $
Cash flows from operating activities:		
Profit before tax	5,756,005	5,168,989
Adjustments for:		
Change in insurance contract liabilities – net	9,912,820	3,203,068
Depreciation of property and equipment	295,219	325,828
Depreciation of right-of-use asset	665,244	662,624
Loss on disposal of property and equipment	–	119
Dividend income from investment securities	(692,613)	(528,837)
Net realised gain on sale of investment securities	(23,503)	(249,552)
Net unrealised gain on held-for-trading investments	(117,264)	(593,460)
Amortisation of premiums on held-to-maturity investments - net	201	(196)
Interest expense on lease liabilities	11,684	24,490
Interest income	(1,446,542)	(777,550)
Operating cash flows before change in working capital	14,361,251	7,235,523
Changes in working capital		
Decrease/(increase) in receivables, prepayments and other current assets	1,935,566	(492,449)
Increase in payables	4,671,896	7,085,043
Cash flows from operations	20,968,713	13,828,117
Income tax paid	–	–
Net cash flows generated from operating activities	20,968,713	13,828,117
Cash flows from investing activities		
Purchase of property and equipment	(521,650)	(181,954)
(Purchase)/proceeds from sale of investment securities - net	(4,502,178)	4,778,451
Interest received	778,571	964,891
Dividends received from investment securities	692,613	528,837
Placements in deposits	(12,291,460)	(21,487,026)
Net cash flows used in investing activities	(15,844,104)	(15,396,801)
Cash flows from financing activities		
Repayment of hire purchase payables	(23,200)	(23,200)
Repayment of lease liabilities	(685,320)	(682,670)
Interest paid on hire purchase	(3,116)	(3,116)
Payment of dividend	(1,500,000)	(1,200,000)
Net cash flows used in from financing activities	(2,211,636)	(1,908,986)
Net increase/(decrease) in cash and cash equivalents	2,912,973	(3,477,670)
Cash and cash equivalents at beginning of year	14,845,029	18,322,699
Cash and cash equivalents at end of year (Note 10)	17,758,002	14,845,029

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 5 Maxwell Road #17-00 Tower Block, MND Complex, Singapore 069110. 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 significant accounting policies

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 2022. The adoption of these standards and interpretations did not have any significant effect on the financial performance or position of the Company.

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

The amendments introduce two alternative options for entities issuing contracts within the scope of FRS 104, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of FRS 109 for annual periods beginning before 1 January 2023 at the latest.

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

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

The effect of adoption of Amendments to FRS 104 *Applying FRS 109 Financial Instrument with FRS 104 Insurance Contracts* is as follows (cont'd):

An entity may apply the temporary exemption from FRS 109 if: (i) it has not previously applied any version of FRS 109 and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. If there is a change in the entity's activities:

(a) an entity that previously qualified for the temporary exemption from FRS 109 shall reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date; and

(b) an entity that previously did not qualify for the temporary exemption from FRS 109 is permitted to reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date before 31 December 2022. The overlay approach allows an entity applying FRS 109 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied FRS 39 to these designated financial assets.

An entity can apply the temporary exemption from FRS 109 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies FRS 109 for the first time.

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

The Company concluded that it qualified for the temporary exemption from FRS 109 as the Company has not previously applied any versions of FRS 109 and its activities are predominantly connected with insurance at annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015). As at 31 December 2015, the Company's gross liabilities arising from contracts within the scope of FRS 104 represented 96% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

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

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

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

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

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

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

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

	SPPI financial assets		**Other financial assets**	
31 December 2022	**Fair value**	**Fair value change**	**Fair value**	**Fair value change**
	$	$	$	$
Investment securities	14,697,480 **	(804,567)	15,516,462	(117,264)
Due from insured, agents and brokers	4,437,256	–	–	–
Due from reinsurers	1,218,423	–	–	–
Other assets*	1,195,345	–	–	–
Cash, bank balances and deposits	119,379,535	–	–	–
Total	140,928,039	(804,567)	15,516,462	(117,264)

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

** This refers to the fair value of held-to-maturity investments with an amortised cost of $15,502,047 as at 31 December 2022

	SPPI financial assets		**Other financial assets**	
31 December 2021	**Fair value**	**Fair value change**	**Fair value**	**Fair value change**
	$	$	$	$
Investment securities	10,939,700 **	186,522	15,622,586	593,460
Due from insured, agents and brokers	6,683,427	–	–	–
Due from reinsurers	1,066,412	–	–	–
Other assets*	550,984	–	–	–
Cash, bank balances and deposits	104,175,102	–	–	–
Total	123,415,625	186,522	15,622,586	593,460

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

** This refers to the fair value of held-to-maturity investments with an amortised cost of $10,753,178 as at 31 December 2022

Refer to the table as disclose in Note 22(d) that shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with FRS 39 although this is prior to any impairment allowance for those measured at amortised cost.

As at 31 December 2022, the fair value of financial assets that do not have low credit risk was $ 20,142,583 (2021: $43,590,194).

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

2.3 *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**
Amendments to FRS 1 *Classification of Liabilities as Current or Non-current - Deferral of Effective Date*	1 January 2023
FRS 117 *Insurance Contracts*	1 January 2023
Amendments to FRS 117 *Insurance Contracts*	1 January 2023
Amendments to FRS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to FRS 1 *Disclosure of Accounting Policies*	1 January 2023
Amendments to FRS 12 *Deferred Tax Related to Assets and Liabilities Arising from Single Transaction*	1 January 2023
Amendments to FRS 116 *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to FRS 1 *Non-current Liabilities with Covenants*	1 January 2024

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

FRS 117 Insurance Contracts

FRS 117 replaces FRS 104 *Insurance Contracts* for annual periods beginning on or after 1 January 2023.

The Company was previously permitted under FRS 104 to continue its insurance contracts using its previous accounting policies. However, FRS 117 establishes specific principles for the recognition, measurement, presentation and disclosure of insurance contracts issued or held by the Company. The accounting policies to be adopted by the Company can be summarised, as follows:

i. Premium Allocation Approach ('PAA') model

The PAA simplifies the measurement of insurance contracts in comparison with the general model in FRS 117. Under FRS 117, the Company expects that the insurance contracts issued and held are eligible for application of the PAA model as 1) the coverage period of each contract within the portfolio of insurance contracts is one year or less; or 2) the measurement of the liability for remaining coverage for the portfolio of insurance contracts would not differ materially from the measurement that would be produced by applying the requirements for the general model.

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 premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

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

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

i. Premium Allocation Approach ("PAA") model (cont'd)

- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- 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.

ii. 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 IFRS 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 is currently assessing which transition approach to adopt for its portfolio of insurance contracts as it needs to determine whether it has the necessary level of historical data points, system feasibility and data available.

iii. 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.

The Company has defined its portfolios of insurance and reinsurance contracts based on product classes similar to its regulatory related reporting and issuance year.

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

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

FRS 117 Insurance Contracts (cont'd)

iv. 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.

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 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

The Company is currently assessing the basis and which discount rate to be used when doing the discounting calculation.

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.

The Company is currently assessing the risk adjustment to be applied for its insurance contract groups.

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

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

FRS 117 Insurance Contracts (cont'd)

viii. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance contracts issued and reinsurance contracts held, respectively and presents 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 and other comprehensive income have been changed significantly compared to those disclosed under FRS 104. Under FRS 104 the Company reported the following line items in their financial statements:

- Gross premiums written
- Net written premiums
- Movement in the net provision for unearned premiums
- Movement in the net provision for outstanding claims
- Net earned premiums
- Net claims incurred

In the adoption of FRS 117, the standard requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

Amendment to FRS 109 as a result of FRS 117 Implementation

The Company will apply FRS 109 together with the initial application of FRS 117 and the Company is still evaluating which transition approach to be adopted when applying the FRS 109 for the first time.

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

2.4 *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.

2.5 *Product classification*

All the Company's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

2.6 *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)

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

2.6 *Property and equipment (cont'd)*

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.

2.7 *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.

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.

2.8 *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. Summary of significant accounting policies (cont'd)

2.9 *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.

2.10 *Insurance contract liabilities*

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are discounted for the time value of money and include provision for unearned premiums, unexpired risk and inadequate premium levels and outstanding claims including claims incurred but not reported. The liability is derecognised when the liability expires, is discharged or is cancelled.

(a) *Premium liabilities - Reserve for unexpired risks*

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

The unearned premium reserves in respect of direct insurance and facultative policies except for marine cargo, is calculated using the 1/365 method, whereas the unearned premium reserves in respect of marine cargo and treaty reinsurance business is calculated using either 25% and 40% of net written premiums, respectively.

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

Reserve for unexpired risks is compared with the report issued by a qualified actuary on a yearly basis.

(b) *Claims liabilities - Loss reserves*

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

Loss reserves are compared with the report issued by the Certifying Actuary, which is prepared for a valuation of the claims liabilities at best central estimates on a yearly basis.

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

2.10 *Insurance contract liabilities (cont'd)*

(c) *Deferred acquisition cost ("DAC")*

Commission costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial period, are deferred to the extent that they are recoverable out of future premiums. DAC is calculated using the 1/365 method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and, if required, the carrying value is written down to the recoverable amount.

(d) *Reinsurance*

The Company cedes reinsurance in the normal course of business for the purpose of limiting its losses. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premiums ceded and reinsurance claims recoveries are presented in the balance sheet and profit or loss account on a gross basis.

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

Reinsurance premiums ceded are deferred and recognised as an expense in accordance with the pattern of reinsurance premiums received. Reinsurance claims recoveries are recognised consistently with the underlying claim.

Amounts recoverable from reinsurers are assessed for impairment at each reporting date. Such assets are deemed impaired if, and only if, there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in profit or loss.

Reinsurance assets comprise reinsurers' share of insurance contract provisions. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contacts.

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

(e) *Liability adequacy test*

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

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

2.11 ***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.

2.12 ***Revenue and expense recognition***

(a) *Premium income*

Gross written premiums are recognised at the time of commencement of the risk or, in the case of reinsurance, it is taken up in the insurance underwriting account based on reinsurance closings received up to the time of closing of the books, and earned over the term of the related policy coverage.

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

(b) *Investment income*

Dividend income is recognised when the Company's right to receive dividend payment is established. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are taken to profit or loss.

(c) *Commission expense*

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

(d) *Commission income*

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

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

2.13 *Trade and other receivables*

Trade and other receivables comprise receivables related to insurance contracts and include amounts due from policyholders, agents, brokers, cedants, reinsurers and retrocessionaires. Trade and other receivables are carried at amortised cost using the effective interest method. Bad debts are written off when identified and specific provisions for impairment are made for those debts considered to be doubtful.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt.

2.14 *Trade and other payables*

Liabilities for trade and other amounts payable, including amounts due to related parties and hire purchase payables, are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.15 *Taxes*

(a) *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.

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

2.15 *Taxes (cont'd)*

(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.

2.16 *Claims*

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

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

2.17 *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*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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

(ii) *Loans and receivables*

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

Loan and receivables comprise cash, bank balances and deposits, other receivables, amount due from related companies and trade receivables.

(iii) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to maturity investments are derecognised or impaired, and through the amortisation process.

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

2.17 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

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

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

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

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entity, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit or loss.

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

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

2.17 *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*

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 rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

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

2.17 *Financial instruments (cont'd)*

(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.

2.18 *Impairment of financial assets*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if objective evidence indicated that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

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

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

Financial assets carried at amortised cost (cont'd)

(a) Financial assets carried at cost

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

(b) Available-for-sale financial assets

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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss. If the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

As stated above, the Company records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

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

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

(b) Available-for-sale financial assets (cont'd)

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

2.19 *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. The accounting policy for impairment of non-financial assets is disclosed in Note 2.7.

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

2.19 *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.

2.20 *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.

2.21 *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 significant accounting policies (cont'd)

2.22 *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) *Determination of insurance contract liabilities*

The insurance contract liabilities of the Company comprise the claim liabilities and premium liabilities. Claim liabilities consist of outstanding claims notified and outstanding claims IBNR while premium liabilities consist of the reserve for unexpired risks, net of DAC and their values are carried in the balance sheet as disclosed in Note 13 to the financial statements.

The insurance contract liabilities are determined by the Certifying Actuary at the best estimates for the years ended 31 December 2022 and 2021. An additional provision of approximately $4,638,768 (2021: $4,638,766) is required if the insurance contract liabilities are calculated at 75% level of sufficiency.

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

Because of the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the balance sheet, and must instead be estimated as explained above.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

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

(a) *Determination of insurance contract liabilities (cont'd)*

The table below is intended to illustrate the level of uncertainty within the claims reserves and unearned premiums reserves:

Two scenarios are shown:

(i) The impact (based on the actuarial model) of increasing claims provision and unearned premium reserves from the level that provides the best estimate to the level that provides a 75% level of assurance.

(ii) The impact of increasing all individually estimated case reserves by 5% illustrating the sensitivity of the claims provision to the individual estimates formulated by loss adjusters.

	Increase/ (decrease) of net insurance contract liabilities $'000	**Increase/ (decrease) in profit before tax** $'000
2022		
Increase claims provision and unearned premium reserves from best estimate to 75% adequacy level	4,639	(4,639)
Increase reported claims case reserves by 5%	1,776	(1,776)
2021		
Increase claims provision and unearned premium reserves from best estimate to 75% adequacy level	4,639	(4,639)
Increase reported claims case reserves by 5%	1,527	(1,527)

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

(b) *Impairment of available-for-sale investments*

The Company records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. There was no impairment loss recognised for available-for-sale financial assets for the financial year ended 31 December 2022 and 2021.

(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 2 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.

(d) *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.

4. Property and equipment

	Furniture and fittings $	Office equipment and computers $	Office renovation $	Motor vehicles $	Total $
Cost					
At 1 January 2021	209,502	2,940,585	630,627	232,888	4,013,602
Additions	–	180,624	1,330	–	181,954
Disposals	–	(262)	–	–	(262)
At 31 December 2021 and 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	209,502	3,636,917	637,637	232,888	4,716,944
Accumulated depreciation					
At 1 January 2021	126,736	2,333,427	624,067	70,658	3,154,888
Charge for the year	19,408	262,631	5,249	38,540	325,828
Disposals	–	(143)	–	–	(143)
At 31 December 2021 and 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	165,308	2,831,451	631,294	147,739	3,775,792
Net carrying amounts					
At 31 December 2021	63,358	525,032	2,641	123,690	714,721
At 31 December 2022	44,194	805,466	6,343	85,149	941,152

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 2021	1,938,185	29,738	1,967,923
Additions	–	78,498	78,498
Termination	–	(19,258)	(19,258)
At 31 December 2021 and 1 January 2022	1,938,185	88,978	2,027,163
Additions	–	–	–
Termination	–	–	–
At 31 December 2022	1,938,185	88,978	2,027,163
Accumulated depreciation			
At 1 January 2021	430,705	21,584	452,289
Charge for the year	646,056	16,568	662,624
Termination	–	(19,258)	(19,258)
At 31 December 2021 and 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	1,722,817	38,082	1,760,899
Net carrying amounts			
At 31 December 2021	861,424	70,084	931,508
At 31 December 2022	215,368	50,896	266,264

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 2021	1,517,288	8,204	1,525,492
Additions	–	78,498	78,498
Accretion of interest	24,056	434	24,490
Payments	(665,820)	(16,850)	(682,670)
At 31 December 2021 and 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	221,036	51,138	272,174
Current	221,036	16,881	237,917
Non-current	–	34,257	34,257

The following are the amounts recognised in profit or loss:

	2022 $	2021 $
Depreciation of right-of-use assets	665,244	662,624
Interest expense on lease liabilities	11,684	24,490
Total expense recognised in profit or loss	676,928	687,114

6. Investment securities

	2022 $	2021 $
Non-current:		
Held-to-maturity investments		
- Bonds (quoted)	11,502,047	9,753,178
	11,502,047	9,753,178
Current:		
Held-to-maturity investments		
- Bonds (quoted)	4,000,000	1,000,000
	4,000,000	1,000,000
Held for trading investments		
- Equity instruments (quoted)	15,516,462	15,622,586
	19,516,462	16,622,586

The maturity of the investments in bonds and equity instruments are disclosed in Note 22(f). Investments in bonds bear interest ranging from 1.73% to 3.80% per annum (2021: 1.73% to 3.80%).

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:

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:				
Held for trading investments				
- Equity instruments (quoted)	15,516	–	–	15,516
Available-for-sale financial assets	–	–	–	–
- Equity instruments (quoted)	–	–	–	–
- Bonds (quoted)	–	–	–	–
At 31 December 2022	15,516	–	–	15,516

2021	**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:				
Held for trading investments				
- Equity instruments (quoted)	15,623	–	–	15,623
Available-for-sale financial assets				
- Equity instruments (quoted)	–	–	–	–
- Bonds (quoted)	–	–	–	–
At 31 December 2021	15,623	–	–	15,623

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
2022		
Quoted investments		
Corporate bonds, at cost	15,503	14,697
Less: Amortisation of premiums	1	–
	15,502	14,697
2021		
Quoted investments		
Corporate bonds, at cost	10,753	10,940
Less: Amortisation of premiums	–	–
	10,753	10,940

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
2022		
Unquoted investments		
Corporate bonds, at cost	–	–
Add: Amortisation of discounts	–	–
	–	–
2021		
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
2022				
Financial assets:				
Held-to-maturity investments				
- Bonds (quoted)	14,697	–	–	14,697
- Bonds (unquoted)	–	–	–	–
At 31 December 2022	14,697	–	–	14,697
2021				
Financial assets:				
Held-to-maturity investments				
- Bonds (quoted)	10,940	–	–	10,940
- Bonds (unquoted)	–	–	–	–
At 31 December 2021	10,940	–	–	10,940

7. Trade receivables

	2022 $	2021 $
Due from insured, agents, brokers and reinsurers	5,644,491	7,881,347
Due from cedants	–	298,935
Deposits of retrocessionaires	11,188	12,550
	5,655,679	8,192,832
Less: Allowance for doubtful receivables:		
Due from insured, agents, brokers and reinsurers	–	(144,058)
Due from cedants	–	(298,935)
	5,655,679	7,749,839

(a) ***Receivables that are past due but not impaired***

The aged analysis of the insurance receivables that are not considered to be impaired is as follows:

	2022 $	2021 $
Neither past due nor impaired	3,994,852	5,913,345
61 to 90 days	634,966	763,035
91 to 120 days	370,801	382,473
More than 120 days	655,060	690,986
	5,655,679	7,749,839

Receivables that were past due but not impaired, amounting to $1,660,827 as at 31 December 2022 (2021: $1,836,494) relate to a number of third-party customers that have a good track record with the Company. Based on past experience, management is of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

7. Trade receivables (cont'd)

(b) *Receivables that are impaired*

The Company has trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	2022 $	**2021** $
Movement in allowance accounts:		
At 1 January	442,993	457,776
Charge for the year	–	–
Written back	(442,993)	(13,772)
Translation	–	(1,011)
At 31 December	–	442,993

Due from insured, agents, brokers and reinsurers are non-interest bearing and are generally on 60 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair value due to the short-term nature of these balances.

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

	2022 $	**2021** $
Trade related	112,799	141,049
Non-trade related	–	–
Amounts due from related companies	112,799	141,049
Trade related	(2,716)	–
Non-trade related	(59,366)	(55,789)
Amounts due to related companies	(62,082)	(55,789)

Amounts that are trade related are unsecured, non-interest bearing and subject to normal trade terms of generally 60 to 90 days' term and represent their fair value due to the short-term nature of these balances.

9. Other receivables

	2022 $	2021 $
Accrued interest income	863,928	195,756
Income tax recoverable	2,395	1,856
	866,323	197,612

10. Cash, bank balances and deposits

Cash and cash equivalents comprise the following:

	2022 $	2021 $
Fixed deposits	107,114,595	92,800,243
Cash and bank balances	12,264,940	11,374,859
Cash, bank balances and deposits included in the balance sheet which approximate fair value	119,379,535	104,175,102
Deposits held on behalf of policyholders in respect of insurance business (Note 11)	(15,768,768)	(12,359,045)
Deposits with maturities of more than 3 months other than those held on behalf of policyholders	(85,852,765)	(76,971,028)
Cash and cash equivalents included in the cash flow statement	17,758,002	14,845,029

Cash, bank balances and deposits denominated in foreign currencies at 31 December are as follows:		
United States Dollar	1,651,910	886,968
Malaysian Ringgit	41,016	43,588
Singapore Dollar	117,686,609	103,244,546
	119,379,535	104,175,102

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 0.58% to 4.50% per annum (2021: 0.04% to 0.58%).

The Company entered into a Bank Guarantee facility of up to $6,000,000 (2021: $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 2022, the Company has drawn down an amount of $1,656,517.24 (2021: $2,104,517) in bank guarantees against the facilities and has placed fixed deposits of the same amount with the financial institution.

11. Trade payables

	2022	2021
	$	$
Cash collateral placed by policyholders	15,768,768	12,359,045
Amount due to reinsurers	2,161,760	1,862,171
Due to insured, agents, brokers and reinsurers	601,509	90,176
Amounts due to retrocessionaires	162,203	162,203
Cedant deposits	172,359	172,360
Amount due to ceding companies	90,744	95,898
	18,957,343	14,741,853

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

The carrying amounts of trade payables approximate their fair values due to the short-term nature of these balances. Trade payables are unsecured, non-interest bearing and subject to normal trade terms of generally 60 to 90 days' term and represent their fair value due to the short-term nature of these balances

12. Other payables

	2022	2021
	$	$
Provisions	3,413,137	2,624,863
Accrued expenses	358,059	606,800
Others	314,922	516,658
	4,086,118	3,748,321

The carrying amount of other payables approximates its fair value and are unsecured, non-interest bearing which are generally payable on demand.

13. Insurance contract liabilities and reinsurance assets

2022	Gross $	Recoverable from reinsurers $	Net $
Claims reported and loss adjustment expenses	37,401,803	(1,878,894)	35,522,909
Claims incurred but not reported	13,122,741	(3,342,775)	9,779,966
Claims liabilities	50,524,544	(5,221,669)	45,302,875
Premium liabilities	32,914,436	(4,878,589)	28,035,847
Total	83,438,980	(10,100,258)	73,338,722
2021			
Claims reported and loss adjustment expenses	32,788,598	(2,255,316)	30,533,282
Claims incurred but not reported	13,013,208	(3,233,242)	9,779,966
Claims liabilities	45,801,806	(5,488,558)	40,313,248
Premium liabilities	26,396,224	(3,283,570)	23,112,654
Total	72,198,030	(8,772,128)	63,425,902

(a) *Claims liabilities*

2022	Gross $	Recoverable from reinsurers $	Net $
Notified claims	32,788,598	(2,255,316)	30,533,282
Incurred but not reported	13,013,208	(3,233,242)	9,779,966
Total at beginning of year	45,801,806	(5,488,558)	40,313,248
Cash paid for claims settled in the year	(23,118,309)	1,661,761	(21,456,548)
Increase in liabilities			
- Arising from current year claims	28,542,514	(2,623,639)	25,918,875
- Arising from prior year claims	(701,467)	1,228,767	527,300
Total at end of year	50,524,544	(5,221,669)	45,302,875
Notified claims	37,401,803	(1,878,894)	35,522,909
Incurred but not reported	13,122,741	(3,342,775)	9,779,966
	50,524,544	(5,221,669)	45,302,875

13. Insurance contract liabilities and reinsurance assets (cont'd)

(a) *Claims liabilities (cont'd)*

2021	**Gross** $	**Recoverable from reinsurers** $	**Net** $
Notified claims	35,487,984	(6,451,410)	29,036,574
Incurred but not reported	13,778,576	(3,482,350)	10,296,226
Total at beginning of year	49,266,560	(9,933,760)	39,332,800
Cash paid for claims settled in the year	(26,407,897)	3,131,530	(23,276,367)
Increase in liabilities			
- Arising from current year claims	24,128,121	(157,210)	23,970,911
- Arising from prior year claims	(1,184,978)	1,470,882	285,904
Total at end of year	45,801,806	(5,488,558)	40,313,248
Notified claims	32,788,598	(2,255,316)	30,533,282
Incurred but not reported	13,013,208	(3,233,242)	9,779,966
	45,801,806	(5,488,558)	40,313,248

The tables below show the development of claims over a period of time on a net and gross of reinsurance basis. It shows the cumulative incurred and notified claims, for each successive accident year at each balance sheet date, together with cumulative claims, payments and total IBNR claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2017 and prior and IBNR claims being shown as a separate item.

13. Insurance contract liabilities and reinsurance assets (cont'd)

(a) *Claims liabilities (cont'd)*

Analysis of claims development - Gross of reinsurance

Accident Year	2018	2019	2020	2021	2022	Total
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year						
1 year later	36,359	31,296	21,304	24,894	28,433	142,286
2 years later	41,821	34,359	23,464	27,755		127,399
3 years later	41,267	34,434	22,695			98,396
4 years later	39,342	33,849				73,191
5 years later	38,456					38,456
Current estimate of cumulative claims	38,456	33,849	22,695	27,755	28,433	151,188
Cumulative payments to date	(36,241)	(31,132)	(19,265)	(19,653)	(10,512)	(116,803)
Liability recognised in the balance sheet	2,215	2,717	3,430	8,102	17,921	34,385
Outstanding liability pertaining to accident year 2017 and before						3,017
IBNR						13,123
						50,525

Analysis of claims development - Net of reinsurance

Accident Year	2018	2019	2020	2021	2022	Total
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year						
1 year later	30,414	29,051	20,630	24,487	25,919	130,501
2 years later	35,937	32,621	22,869	27,321		118,748
3 years later	35,220	32,727	22,234			90,181
4 years later	34,339	32,176				66,515
5 years later	34,092					34,092
Current estimate of cumulative claims	34,092	32,176	22,234	27,321	25,919	141,742
Cumulative payments to date	(31,992)	(29,501)	(19,025)	(19,387)	(9,250)	(109,155)
Liability recognised in the balance sheet	2,100	2,675	3,209	7,934	16,669	32,587
Outstanding liability pertaining to accident year 2017 and before						2,936
IBNR						9,780
						45,303

13. Insurance contract liabilities and reinsurance assets (cont'd)

(b) *Premium liabilities (net of deferred acquisition cost)*

	Gross $	Recoverable from reinsurers $	Net $
2022			
At beginning of the year	26,396,224	(3,283,570)	23,112,654
Increase during the year	6,518,212	(1,595,019)	4,923,193
At end of the year	32,914,436	(4,878,589)	28,035,847
2021			
At beginning of the year	22,890,220	(2,000,186)	20,890,034
Increase during the year	3,506,004	(1,283,384)	2,222,620
At end of the year	26,396,224	(3,283,570)	23,112,654

14. Deferred tax liabilities/(assets) - net

	2022 $	2021 $
Deferred income tax liabilities/(assets)		
An excess of tax written down value over book depreciation of property and equipment	117,616	(105,744)
Revaluations to fair value:		
- Held for trading investments	395,903	375,967
- Available-for-sale financial assets	–	–
Amortisation of held-to-maturity investments	(89)	(55)
Accrued interest	146,867	33,279
Unabsorbed tax losses	(3,131)	(21,933)
Unabsorbed capital allowances	(27,905)	(742,627)
Unabsorbed donations	(124)	(11,692)
Total net deferred tax liabilities/(assets)	629,137	(472,805)

14. Deferred tax liabilities/(assets) - net (cont'd)

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

	2022 $	2021 $
At beginning of the year	(472,805)	(1,378,996)
Credited to profit or loss (Note 19)	1,101,942	906,766
Credited to other comprehensive income	–	(575)
At end of the year	629,137	(472,805)

15. Share capital

	2022		2021	
	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 2022 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.

16. Net underwriting results from reinsurance business (in run-off)

	2022 $	2021 $
Gross refund premiums	–	–
Retrocessionaires	–	–
Net written premiums		
Claims	–	–
Loss reserves:		
At beginning of financial year	585,137	585,312
At end of financial year	(584,057)	(585,137)
Incurred/(paid) claims	1,080	175
Net underwriting results	1,080	175

17. Investment and other income

	2022 $	2021 $
Interest income on:		
- Fixed deposits	1,073,486	410,319
- Government securities and fixed interest securities	373,056	367,231
Dividend income on investment securities	692,613	528,837
Net realised gains on sale of investment securities	23,503	249,552
Net unrealised gains on held-for-trading investments	117,264	593,460
Others	243,906	334,372
	2,523,828	2,483,771

No government grant income (2021: $8) was recognised during the financial year under the Jobs Support Scheme (the “JSS”). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

18. Profit/(loss) before tax

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

	2022 $	2021 $
Directors' fees	165,600	165,600
Chairman's fees	130,000	130,000
Salaries and other staff costs	7,229,108	6,606,432
CPF contributions	656,312	637,470
Rental expense	197,338	194,278
Amortisation of premium on held-to-maturity investment – net	201	(196)
Depreciation of property and equipment	295,219	325,828
Depreciation of right-of-use assets	665,244	662,624
Loss on disposal of property and equipment	–	119
Foreign exchange loss/(gain):		
- Unrealised	6,742	(18,376)
- Realised	12,175	6,549
(Reversal of doubtful debts)/charges to doubtful debts	(7,515)	–
Write-back of doubtful debts	–	(13,772)
Bad debts written off	–	6,779

19. Taxation

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

	2022 $	2021 $
Current tax		
Provision for Singapore taxation in respect of previous year profit	–	–
Tax refund	–	–
Deferred taxation	1,101,942	906,766
Tax expense	1,101,942	906,766

19. Taxation (cont'd)

(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:

	2022 $	**2021** $
Profit before tax	5,756,005	5,168,989
Tax at statutory rate of 17% (2021:17%)	978,521	878,728
Adjustments:		
Permanent differences/non-deductible expenses and allowances	27,625	22,758
Income not subject to tax	(67,724)	(55,486)
Tax effect of income brought to tax at 10%	(15,578)	(25,193)
Others	179,098	85,959
Tax expense	1,101,942	906,766

In 2022, the Company has unabsorbed tax losses, capital allowances and donations of approximately $183,296 (2021: $4,566,183) available for offset against future taxable profits. Deferred tax asset has been recognised on these tax losses, capital allowances and donations amounting to $31,160 (2021: $776,252) as it has become probable that the future taxable profit will allow the deferred tax asset to be recovered. The use of these tax losses is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation.

20. Hire purchase payables

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

	2022		**2021**	
	Minimum lease payments $	**Present value of payments** $	**Minimum lease payments** $	**Present value of payments** $
Not later than one year	26,316	23,200	26,316	23,200
Later than one year but not later than five years	8,772	7,733	35,088	30,933
Later than five years	–	–	–	–
Total minimum lease payments	35,088	30,933	61,404	54,133
Less: Amounts representing finance charges	(4,155)	–	(7,271)	–
Present value of minimum lease	30,933	30,933	54,133	54,133

21. 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:

	2022 $	2021 $
Holding company		
Payments towards operating expenses	13,250	17,826
Management fees	654,781	554,909
Related companies and related parties		
Payment deducted from operating expenses - net	(5,947)	(5,893)
Commission expense	122,493	78,297
Insurance premium paid to a related party insurance broker	98,567	84,209
Secretarial fee	4,898	7,720
Travelling expenses	177,876	–
Purchase of goods	8,867	8,821
Key management remuneration		
Salaries (including benefits-in-kind)	1,015,791	970,188
CPF	43,348	39,783

22. 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 and Property.

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.

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

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.

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.

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

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

By class of business	General insurance contract			
	As at 31 December 2022		As at 31 December 2021	
	Net premium liabilities	Net claims liabilities	Net premium liabilities	Net claims liabilities
	$	$	$	$
Cargo	112,111	322,263	80,074	131,619
Hull	149,028	206,463	113,058	210,985
Fire	728,353	1,279,587	551,265	1,166,909
Motor	9,769,106	19,600,360	8,429,303	17,986,567
Workmen's compensation	8,626,681	18,463,038	7,809,300	15,374,999
Personal accident	173,710	101,302	129,867	98,475
Health	2,025,664	2,170,546	1,729,433	2,392,781
Public liability	993,782	1,554,216	871,548	1,522,822
Bonds	4,021,611	757,232	2,473,953	610,899
Engineering	1,174,205	641,779	709,869	615,126
Professional indemnity	11,122	18,418	10,518	18,818
Trade credit	–	21,996	–	21,891
Miscellaneous	250,474	165,675	204,466	161,357
	28,035,847	45,302,875	23,112,654	40,313,248

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 fifteenth 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 case estimates are reviewed by the external appointed actuary, JP Wall Consulting Partners.

(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 are held until maturity.

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(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 available-for-sale financial assets. The Company does not have exposure to commodity price risk.

The Company's objective is to manage investment returns and equity price risk using investment grade shares with steady dividend yields. The Company's policy is to limit its interest in the held-for-trading equity shares to 20% (2021: 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% (2021: 5%) higher/lower with all other variables held constant, the Company's profit before tax would increase/decrease by $775,823 (2021: $781,129) as the Company held some equity investments classified as held for trading. The Company's equity would have been $775,823 (2021: $781,129) higher/lower, arising as a result of an increase/decrease in the fair value of held for trading and available-for-sale 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.

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 2022 and 31 December 2021 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.

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

The tables below indicate the credit risk exposure of the Company at 31 December 2022 and 2021 by classifying financial assets and liabilities according to cash ratings of the counterparties:

	AAA $	**AA** $	**A** $	**Others or not rated** $	**Total** $
At 31 December 2022					
In Singapore dollars					
Financial assets at fair value through profit or loss					
- Equity securities	328,635	7,869,121	1,410,990	5,907,716	15,516,462
Available-for-sale financial assets					
- Equity securities	–	–	–	–	–
- Debt securities	–	–	–	–	–
Held-to-maturity financial assets					
- Debt securities	7,750,000	999,178	1,000,000	5,752,869	15,502,047
Due from insured, agents and brokers	–	25,162	11,359	4,400,735	4,437,256
Due from reinsurers	–	539,466	618,483	60,474	1,218,423
Other assets*	61,573	64,881	511,761	557,130	1,195,345
Cash, bank balances and deposits	–	24,131,962	92,412,299	2,835,274	119,379,535
Total financial assets	8,140,208	33,629,770	95,964,892	19,514,198	157,249,068
Trade and other payables**	–	331,644	1,938,140	20,866,692	23,136,476
Lease liabilities	–	–	–	272,174	272,174
Total financial liabilities	–	331,644	1,938,140	21,138,866	23,408,650

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

** Excluding GST payable amounting to $984,031

22. 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 2021					
In Singapore dollars					
Financial assets at fair value through profit or loss					
- Equity securities	368,856	7,375,045	1,370,740	6,507,945	15,622,586
Available-for-sale financial assets					
- Equity securities	–	–	–	–	–
- Debt securities	–	–	–	–	–
Held-to-maturity financial assets					
- Debt securities	5,250,000	–	1,000,000	4,503,178	10,753,178
Due from insured, agents and brokers	–	58,534	98,024	6,526,869	6,683,427
Due from reinsurers	–	48,306	1,005,345	12,761	1,066,412
Other assets*	38,408	4,524	107,945	400,107	550,984
Cash, bank balances and deposits	–	20,440,568	58,647,022	25,087,512	104,175,102
Total financial assets	5,657,264	27,926,977	62,229,076	43,038,372	138,851,689
Trade and other payables**	–	353,452	1,639,935	16,606,709	18,600,096
Lease liabilities	–	–	–	945,810	945,810
Total financial liabilities	–	353,452	1,639,935	17,552,519	19,545,906

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

** Excluding GST payable amounting to $874,831

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

(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.

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 2022					
In Singapore dollars					
Financial assets at fair value through profit or loss					
- Equity securities	15,516,462	–	–	–	15,516,462
Available-for-sale financial assets					
- Equity securities	–	–	–	–	–
- Debt securities	–	–	–	–	–
Held-to-maturity financial assets					
- Debt securities	15,502,047	–	–	–	15,502,047
Due from insured, agents and brokers	4,402,917	–	22,086	12,253	4,437,256
Due from reinsurers	1,218,423	–	–	–	1,218,423
Other assets*	1,182,084	–	13,261	–	1,195,345
Cash, bank balances and deposits	117,686,609	41,016	1,651,910	–	119,379,535
Total financial assets	155,508,542	41,016	1,687,257	12,253	157,249,068
Trade and other payables **	23,030,919	660	44,741	60,156	23,136,476
Lease liabilities	272,174	–	–	–	272,174
Total financial liabilities	23,303,093	660	44,741	60,156	23,408,650

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

** Excluding GST payable amounting to $984,031

22. 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 2021					
In Singapore dollars					
Financial assets at fair value through profit or loss					
- Equity securities	15,622,586	–	–	–	15,622,586
Available-for-sale financial assets					
- Equity securities	–	–	–	–	–
- Debt securities	–	–	–	–	–
Held-to-maturity financial assets					
- Debt securities	10,753,178	–	–	–	10,753,178
Due from insured, agents and brokers	6,649,088	–	22,086	12,253	6,683,427
Due from reinsurers	1,066,412	–	–	–	1,066,412
Other assets*	537,723	–	13,261	–	550,984
Cash, bank balances and deposits	103,244,546	43,588	886,968	–	104,175,102
Total financial assets	137,873,533	43,588	922,315	12,253	138,851,689
Trade and other payables **	18,494,539	660	44,741	60,156	18,600,096
Lease liabilities	945,810	–	–	–	945,810
Total financial liabilities	19,440,349	660	44,741	60,156	19,545,906

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

** Excluding GST payable amounting to $874,831

22. 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	
	2022	**2021**
	$'000	$'000
RM/SGD		
strengthened 5% (2021:5%)	-2	-2
weakened 5% (2021:5%)	+2	+2
USD/SGD		
strengthened 5% (2021:5%)	-82	-44
weakened 5% (2021:5%)	+82	+44

(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, trade and other receivables, including those from related companies, other assets (excluding prepayments and GST receivable), cash, bank balances and deposits and trade and other payables (excluding GST payable), including those from related companies, will mature within one year, while remaining lease liabilities and hire purchase payables are maturing within 2 years.

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

	Less than 1 year	**2 years to 5 years**	**Over 5 years**	**Total**
	$'000	$'000	$'000	$'000
31 December 2022				
Investment securities	19,516	7,000	4,503	31,019
31 December 2021				
Investment securities	16,623	5,750	4,003	26,376

22. Financial risk management (cont'd)

Financial risk management objectives and policies (cont'd)

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

Fair values

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

23. 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 2022 (2021: Nil). There was no change in the Company's capital management objectives, policies and processes during the years ended 31 December 2022 and 31 December 2021.

24. 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.

25. Authorisation of financial statements for issue

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