Company Registration No. 199002791D

LIBERTY INSURANCE PTE LTD

Annual Financial Statements
31 December 2023

Contents

DIRECTORS' STATEMENT
For the financial year ended 31 December 2023

The directors are pleased to present their statement to the member together with the audited financial statements of Liberty Insurance Pte Ltd (the Company) for the financial year ended 31 December 2023.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

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

2. Directors

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

Sivagnanaratnam Sivanesan	(Chairman)
Saime Defne Turkes	
Scott Edward Roddy	(Appointed on 21 September 2023)

3. Arrangements to enable directors to acquire shares and debentures

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

4. Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share options

During the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No options have been granted to directors and employees of the holding companies and its subsidiaries
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted

6. Auditor

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

On behalf of the board of directors:

Sivagnanaratnam Sivanesan
Director

SCOTT RODDY

Scott Edward Roddy
Director

Singapore
20 June 2024

Independent Auditor's Report to the Member of Liberty Insurance Pte Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liberty Insurance Pte Ltd (the Company) set out on pages 6 to 73, which comprise the balance sheet as at 31 December 2023, the 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 summary of material accounting policy information.

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

Basis for Opinion

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

Other Information

Management is responsible for other information. The other information comprises the Directors' Statement 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.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- 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
20 June 2024

LIBERTY INSURANCE PTE LTD

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2023

	Note	2023	2022 restated
		$'000	$'000
Insurance revenue		208,981	187,611
Insurance service expense	4	(168,193)	(154,066)
Insurance service result before reinsurance contracts held		40,788	33,545
Allocation of reinsurance premium		(11,395)	(7,673)
Amounts recoverable from reinsurers for incurred claims		(23)	453
Net expense from reinsurance contracts held		(11,418)	(7,220)
Insurance service result		29,370	26,325
Dividend income		4,625	-
Interest income		12,496	6,104
Change in fair value of financial assets at FVTPL	13	2,516	-
Amortisation of premium on investments	13	-	(967)
Loss on foreign exchange		(261)	(202)
Total investment income	5	19,376	4,935
Finance (expenses)/income for insurance contracts issued	5	(2,546)	297
Finance income/(expense) for reinsurance contracts held	5	82	(7)
Net insurance financial result		(2,464)	290
Other income/(expense)		65,327	(7,934)
Profit before income tax		111,609	23,616
Income tax expense	8	(18,174)	(4,042)
Profit for the year		93,435	19,574
Other comprehensive income			
Change in fair value of financial assets	22	-	(5,879)
Deferred tax on change in fair value on financial assets	22	-	1,000
Total other comprehensive income		-	(4,879)
Total comprehensive income		93,435	14,695

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

LIBERTY INSURANCE PTE LTD

BALANCE SHEET
As at 31 December 2023

	Note	As at 31 December 2023	As at 31 December 2022 restated	As at 1 January 2022 restated
		$'000	$'000	$'000
ASSETS				
Non-current assets				
Property and equipment	9	365	17,720	18,274
Intangible assets	10	2,814	2,587	3,028
Right-of-use assets	11	10,646	-	-
Investment in subsidiary	12	24,558	24,558	24,558
Investments in debt securities	13	215,641	142,729	152,384
Loans	14	-	25	50
Deferred tax assets	21	496	1,195	161
		254,520	188,814	198,455
Current assets				
Reinsurance contract assets	15	2,729	3,541	3,536
Due from related parties	16	1,925	2,862	2,163
Other assets	17	5,091	3,639	2,504
Investments in debt securities	13	55,533	59,726	37,284
Short term investments	18	109,376	133,333	49,291
Cash and bank balances	19	46,405	61,504	117,002
		221,059	264,605	211,780
Total assets		475,579	453,419	410,235
LIABILITIES				
Current liabilities				
Insurance contract liabilities	15	187,603	190,945	172,964
Reinsurance contract liabilities	15	1,027	1,125	570
Lease liabilities	11	1,798	-	43
Due to related parties	16	787	719	741
Other liabilities	20	55,849	54,136	45,128
Provision for income tax	8	17,504	4,071	3,061
		264,568	250,996	222,507
Non-current liabilities				
Lease liabilities	11	8,853	-	-
Total liabilities		273,421	250,996	222,507
NET ASSETS		202,158	202,423	187,728
EQUITY				
Share capital		32,250	32,250	32,250
Revenue earnings		169,908	174,672	155,098
Fair value adjustment reserves	22	-	(4,499)	380
Total equity		202,158	202,423	187,728

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

LIBERTY INSURANCE PTE LTD

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2023

	Note	Share capital	Retained earnings	Fair value reserves	Total equity
		$'000	$'000	$'000	$'000
2023					
Balance at 1 January, restated		32,250	174,672	(4,499)	202,423
Impact of initial application of FRS 109	2.2(iv)	-	(4,499)	4,499	-
Balance at 1 January, after initial application of FRS 109		32,250	170,173	-	202,423
Profit for the year		-	93,435	-	93,435
Other comprehensive income for the year		-	-	-	-
Total comprehensive income		-	93,435	-	93,435
Dividend paid*		-	(93,700)	-	(93,700)
Balance at 31 December		32,250	169,908	-	202,158
2022					
Balance at 1 January, previously reported		32,250	156,378	380	189,008
Impact of initial application of FRS 117	2.2(c)	-	(1,280)	-	(1,280)
Balance at 1 January 2022, restated		32,250	155,098	380	187,728
Profit for the year		-	19,574	-	19,574
Other comprehensive income for the year		-	-	(4,879)	(4,879)
Total comprehensive income		-	19,574	(4,879)	14,695
Balance at 31 December, restated		32,250	174,672	(4,499)	202,423

*Final one-tier dividend paid

As at 31 December 2023, the Company has 32,250,000 ordinary shares (2022: 32,250,000). All ordinary shares carry one vote per share without restrictions. In accordance with s.62A of the Companies Act 1967, the ordinary shares of the Company have no par value. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company.

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

LIBERTY INSURANCE PTE LTD

CASH FLOW STATEMENT
For the financial year ended 31 December 2023

	Note	2023 $'000	2022 restated $'000
Operating activities			
Profit before income tax		111,609	23,616
Adjustments for:			
Depreciation of property and equipment	9	319	614
Net gain on disposal of property and equipment		(75,203)	(40)
Amortisation of intangible asset	10	1,027	1,405
Depreciation of right-of-use assets	11	481	-
Finance costs on lease liabilities	11	88	-
Amortisation of premium on investments	13	-	967
Change in fair value of investments	13	(2,516)	4
Dividend income	5	(4,625)	-
Interest income	5	(12,496)	(6,104)
Operating cash flows before changes in working capital		18,684	20,462
Decrease/(increase) in reinsurance contract assets		812	(5)
(Decrease)/increase in insurance contract liabilities		(3,342)	17,981
(Decrease)/increase in reinsurance contract liabilities		(98)	555
Increase in debtors		(1,036)	(318)
Increase in creditors		1,149	8,965
Decrease/(increase) in related parties		1,005	(721)
Increase in fixed deposits held in trust for policyholders		(6,021)	(7,000)
Decrease/(increase) in cash and bank balances held in trust		3,871	(1,691)
Cash flows generated from operations		15,024	38,228
Interest received		12,080	5,295
Income tax paid	8	(4,042)	(3,066)
Net cash flows generated from operating activities		23,062	40,457
Investing activities			
Purchase of property and equipment	9	(160)	(151)
Proceeds from disposal of property and equipment		92,399	131
Additions to intangible assets	10	(1,254)	(972)
Purchase of investments in debt securities	13	(126,208)	(56,637)
Proceeds from sale/maturity of debt securities	13	60,005	37,000
Decrease/(increase) in short term investments		33,978	(66,042)
Repayment of loans		25	25
Net cash flows generated from/(used) in investing activities		58,785	(86,646)
Financing activities			
Dividend received from a subsidiary		4,625	-
Dividend paid to immediate holding company		(93,700)	-
Net cash flows used in financing activities		(89,075)	-
Net decrease in cash and cash equivalents		(7,228)	(46,189)
Cash and cash equivalents at 1 January		52,049	98,238
Cash and cash equivalents at 31 December	19	44,821	52,049

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

1. Corporate information

Liberty Insurance Pte Ltd (the Company) is incorporated and domiciled in Singapore. The immediate holding company is Summit Asia Investments Holdings Pte. Ltd., a company incorporated in Singapore. The ultimate holding company is Liberty Mutual Holding Company Inc., a mutual insurance company organised under the laws of the Commonwealth of Massachusetts in the United States of America.

The registered office and principal place of business of the Company is located at One Raffles Quay, #25-01, North Tower, Singapore 048583 (previously located at 51 Club Street, #03-00 Liberty House, Singapore 069428).

The principal activities of the Company are underwriting & reinsurance of general insurance business and investment holding. The principal activities of the subsidiary are disclosed in Note 12 to the financial statements.

2. Summary of material accounting policy information

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousands ($'000), except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2023.

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2023:

- Amendments to FRS 1 Presentation of Financial Statements and FRS Practice Statement 2: Disclosure of Accounting Policies
- FRS 117 Insurance Contracts
- FRS 109 Financial Instruments
- Amendments to FRS 117 Insurance Contracts
- Amendments to FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to FRS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except for FRS 117 and FRS 109, the adoption of the above accounting standards did not have a significant impact to the Company's financial statements in 2023.

FRS 117 Insurance Contracts

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

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

a) Changes to classification and measurement

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

FRS 117 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

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

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

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 2.12.

b) Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

a) Portfolios of insurance and reinsurance contracts issued that are assets
b) Portfolios of insurance and reinsurance contracts issued that are liabilities
c) Portfolios of reinsurance contracts held that are assets
d) 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 Income have been changed significantly compared with last year. Previously, the Company reported the following line items:

a) Gross written premium
b) Net written premium
c) Net provision for unearned premium
d) Net claims incurred

Instead, FRS 117 requires separate presentation of:

a) Insurance revenue
b) Insurance service expenses
c) Insurance finance income or expenses
d) Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

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

c) Transition

On transition date, 1 January 2022, the Company:

- Has applied a modified retrospective approach
- Has identified, recognised and measured each group of insurance contracts as if FRS 117 had always applied
- Has identified, recognised and measured assets for insurance acquisition cash flows as if FRS 117 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified
- Derecognised any existing balances that would not exist had FRS 117 always applied
- Recognised any resulting net difference in equity

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

	As at 1 January 2022 reported	Effect of Application FRS 117	As at 1 January 2022 restated
	$'000	$'000	$'000
Current assets			
Reinsurers' share of claims liabilities	2,375	(2,375)	-
Reinsurers' share of premiums liabilities	1,982	(1,982)	-
Deferred acquisition costs	19,413	(19,413)	-
Due from agents, brokers and reinsurers	14,989	(14,989)	-
Reinsurance contract assets	-	3,536	3,536
Due from related parties	2,796	(633)	2,163
Deferred tax assets	-	161	161
Total effect on assets		(35,695)	
Liabilities			
Claims liabilities	86,791	(86,791)	-
Premium liabilities	112,844	(112,844)	-
Reinsurers' share of deferred acquisition costs	504	(504)	-
Due to agents, brokers and reinsurers	2,645	(2,645)	-
Insurance contract liabilities	-	172,964	172,964
Reinsurance contract liabilities	-	570	570
Lease liabilities	-	43	43.
Due to related parties	1,358	(617)	741
Other liabilities	49,618	(4,490)	45,128
Deferred tax liabilities	101	(101)	-
Total effects on liabilities		(34,415)	
Equity			
Revenue earnings	156,378	(1,280)	155,098
Total effects on equity		(1,280)	

FRS 109 Financial Instruments

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

The Company has applied FRS 109 prospectively. Differences arising from the adoption of FRS 109 were recognised in retained earnings as of 1 January 2023 and are disclosed in Note 2.2 (iv).

The nature of the changes in accounting policies can be summarised, as follows:

(i) Changes to classification and measurement

To determine their classification and measurement category, FRS 109 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

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

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

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

c) Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company)

d) Debt instruments at amortised cost

The Company's classification of its financial assets is explained in Note 2.14. The quantitative impact of applying FRS 109 as at 1 January 2023 is disclosed in Note 2.2 (iv).

(ii) Changes to the impairment calculation

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

(iii) Changes in disclosure – FRS 107

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

(iv) Transition disclosures – FRS 109

A reconciliation between the carrying amounts under FRS 39 and the balances reported under FRS 109 as of initial application date 1 January 2023 is, as follows:

	FRS 39 measurement		FRS 109	
Financial assets	Category	Amount	Amount	Category
		$'000	$'000	
Investments in debt securities	AFS	202,455	202,455	FVPL
Loans	L&R	185	185	AC
Due from related parties	L&R	2,862	2,862	AC
Other assets (excludes prepayments)	L&R	3,263	3,263	AC
Short term investments	L&R	133,333	133,333	AC
Cash and bank balances	L&R	61,504	61,504	AC
		403,602	403,602	

Category:
L&R: Loans and receivables
AC: Amortised costs
AFS: Available for sale
FVPL: Fair value through profit and loss

The reclassification of the investment in debt securities are disclosed in Note 13.

As at 1 January 2023, the fair value reserves of $4,499,000 were transferred to the opening retained earnings due to initial application of FRS 109 as all investments in debt securities are classified from AFS to FVPL.

2.3 Standards issued but not yet effective

The Company has not adopted the following standard and amendments 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 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
➢ Amendments to FRS 116 Lease: Lease Liability in a Sale and Leaseback	1 January 2024
➢ Amendments to FRS 7 and FRS107 Statement of Cash Flows and Financial Instruments Disclosures: Supplier Finance Arrangements	1 January 2024
➢ Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025

The Company expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The Company does not present consolidated financial statements as it is a wholly owned subsidiary of Summit Asia Investments Holdings Pte. Ltd., a company incorporated in Singapore and consolidated financial statements are presented under Liberty International Holdings Inc. The registered office of Liberty International Holdings Inc is 175 Berkeley Street Boston, MA 02116 United States of America.

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency.

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment other than leasehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Leasehold building	-	50 years
Computer hardware	-	3 years
Office furniture and equipment	-	5 years
Motor vehicles	-	5 years
Renovation	-	5 years

No depreciation is provided on leasehold land with more than 50 years to expiry of the lease.

Assets under work-in-progress included in property and equipment are not depreciated as these assets are not available for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, 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. Any gain or loss on de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software and licenses

Computer software that does not form an integral part of the related computer hardware is classified as an intangible asset. In determining whether an asset that incorporates both tangible and intangible elements should be treated as Property and Equipment or Intangible Asset, judgment is used to assess which element is more significant.

The useful lives of computer software and licenses are amortised using the straight-line method over their estimated useful lives of 3 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at each reporting date.

Software under development is not amortised as this asset is not available for use. When the asset is available for use, it is reclassified to the relevant category of intangible assets and amortisation of the asset begins.

2.8 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.

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

(i) Right-of-use (“ROU”) assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space - 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9 Impairment of non-financial assets.

(ii) Lease liabilities

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

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

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

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

2.9 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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 groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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.

2.10 Subsidiary

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

Investment in subsidiary is accounted for at cost less impairment losses.

2.11 Insurance and reinsurance contracts definitions

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues insurance to individuals and businesses. The insurance products offered include motor, accident & health and property & casualty. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

2.12 Insurance and reinsurance contracts classification and measurement

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another FRS instead of under FRS 117. After separating any distinct components, the Company applies FRS 117 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Certain of the Company's reinsurance contracts held contain amounts that are paid and then repaid in all scenarios but are settled net with the reinsured party. These non-distinct investments components are excluded from reinsurance income and expense and included in the Asset for remaining coverage until the amount is settled.

Level of aggregation

FRS 117 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The Company has defined its portfolios of insurance and reinsurance contracts based on product classes similar to its regulatory-related reporting and issuance year. There are 12 classes of business in the Monetary Authority of Singapore (MAS) Return as per Risk Based Capital (RBC) Framework. A working assumption has been applied where each class of business is managed as a single pool and is exposed to similar risk events except for Motor and General Accident business where the Company has further segregate into lower level given that these businesses have different risk characteristics and are priced and managed differently. FRS 117 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

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

The Company applied a modified retrospective approach for transition to FRS 117. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

a) A group of contracts that are onerous at initial recognition (if any)
b) A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
c) A group of the remaining contracts in the portfolio (if any)

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

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

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

Recognition

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

a) The beginning of the coverage period of the group of contracts
b) The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
c) For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

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

a) The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and

And

b) The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new insurance and reinsurance contracts issued and reinsurance contracts held, issued not more than 12 months apart to the relevant group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

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

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

Or

b) Both of the following criteria are satisfied:
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

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.

Measurement - Premium Allocation Approach

	FRS 117 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the FRS 117 general model	The coverage period for property insurance and liability reinsurance assumed is one year or less and so qualifies automatically for PAA. Both motor and property & casualty include contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	With the exception of the commission expenses, for which the Company chooses to amortise over the coverage period of the insurance and reinsurance contracts, the Company chooses to expense insurance acquisition cash flows as they occur.
Liability for remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	There is no allowance as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	The change in LFIC as a result of changes in discount rates will be captured within profit or loss.

(i) Insurance and reinsurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance and reinsurance contracts that it issues and reinsurance contracts that it holds where the coverage period of the contract in the group is one year or less.

For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

(ii) Reinsurance contracts held – initial measurement

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

The Company measures the estimates of the present value of future cash clows using assumptions that are consisted with those used to measure the liability for remaining coverage of the underlying insurance contracts, with an adjustment for non-performance by the reinsurer.

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

For groups of reinsurance contracts covering onerous underlying insurance contracts that were entered into before or the same time as the onerous underlying contracts, the Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

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

(iii) Insurance and reinsurance contracts – subsequent measurement

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

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

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

(iv) Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(v) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Where the coverage period of contracts in the group is less than one year, the Company is permitted to choose to recognise insurance acquisition cash flows as expense when incurred.

The Company uses a systematic and rational method to allocate:

a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
   - to that group; and
   - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

With the exception of the commission expenses, for which the Company chooses to amortise over the coverage period of the insurance and reinsurance contracts, the Company chooses to expense insurance acquisition cash flows as they occur.

(vi) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

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

   Or

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

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

Presentation

The Company has presented separately, in the Balance Sheet, the carrying amount of 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 and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the Income Statement into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses. The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(i) Insurance revenue

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

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

(ii) Loss components

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

(iii) Loss-recovery components

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

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(iv) Insurance finance income and expense

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

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

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its personal accident product line between profit or loss and OCI. The Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

(v) Net income or expense from reinsurance contracts held

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

2.13 Financial assets prior to adoption of FRS 109

Initial recognition and measurement

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

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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 assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

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 when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised or derecognised on 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.

2.14 Financial assets upon adoption of FRS 109

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below.

Financial instruments are initially recognised on the trade date measured at their fair. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms. The categories include the following:

a) Amortised cost
b) FVPL

(i) Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

a) The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows

b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

<u>Business model assessment</u>

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

- The expected frequency, value and timing of asset sales are also important aspects of the Company’s assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(ii) Financial assets measured at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under FRS 109. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Subsequent measurement

(i) Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

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

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition

(i) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) The rights to receive cash flows from the asset have expired

Or

b) The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

(ii) Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

2.15 Impairment of financial assets prior to adoption of FRS 109

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses 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 been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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.

ii) 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.

iii) 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.

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

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

2.16 Financial liabilities prior to adoption of FRS 109

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, plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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.

2.17 Financial liabilities upon adoption of FRS 109

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as financial liabilities at amortised cost. As at 1 January 2023 and 31 December 2023, the Company has not classified any financial liabilities at FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include amounts due to related parties, and other creditors and accruals.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

2.18 Offsetting of financial assets and liabilities

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.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with maturities of 3 months or less from date of acquisition.

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

2.21 Employee benefits

(i) Defined contribution plan

The Company make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(ii) Employees' leave entitlement

Employees' entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.22 Income taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, 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.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects nether the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.23 Related parties

A related party is defined as follows:

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

- (a) Has control or joint control over the Company;
- (b) Has significant influence over the Company; or
- (c) Is a member of the key management personnel of the Company or of a parent of the Company.

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

- (a) 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);
- (b) 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);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company. If the Company is itself of such a plan, the sponsoring employers are also related to the Company;
- (f) The entity is controlled or jointly controlled by a person identified in (i);
- (g) A person identified in (i)(a) has significant influence over the entity or is member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgement and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.1 Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under FRS 104. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

(i) Insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

(ii) Onerous groups

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

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The liability for incurred claims is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		**3 years**		**5 years**		**10 years**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Insurance contract liabilities	3.65%	3.40%	2.90%	2.86%	2.68%	2.89%	2.70%	3.07%
Reinsurance contract liabilities	3.65%	3.40%	2.90%	2.86%	2.68%	2.89%	2.70%	3.07%

Risk adjustment for non-financial risk

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

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

3.2 Financial assets

Impairment losses on financial assets

The measurement of impairment losses under FRS 109 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

3.3 Leases

Leases – Estimating incremental borrowing rate

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

Leases - Term of contracts with renewal and termination options

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

The Company has the option, under some of its leases to lease the assets for additional terms of two years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Branch reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

4. Insurance service expense

		2023				2022
	Note	Motor $'000	Accident & health $'000	Property & casualty $'000	Total $'000	Total $'000
Incurred claims and other expenses	15.1, a	50,368	40,539	37,890	128,797	111,565
Amortisation of insurance acquisition cash flows	15.1	13,420	18,216	14,573	46,209	40,528
Losses on onerous contracts and reversals of those losses	15.1	-	-	345	345	4,777
Changes to liabilities for incurred claims	15.1	(7,310)	(1,731)	(10,200)	(19,241)	(12,662)
Insurance acquisition cash flows recognised when incurred	a	5,744	1,961	4,378	12,083	9,858
Total		62,222	58,985	46,986	168,193	154,066

Notes:
a. The nature and amount of material expense included is disclosed in Note 6.

5. Total investment income and net insurance financial result

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the period:

	2023 $'000	**2022** $'000
Investment income		
Amounts recognised in the profit or loss		
Dividend income	4,625	-
Interest income	12,496	6,104
Change in fair value of financial assets at FVTPL	2,516	(4)
Amortisation of premium on investments	-	(967)
Loss on foreign exchange	(261)	(198)
	19,376	4,935
Amounts recognised in OCI	-	(5,879)
Total investment income	19,376	(944)
Finance (expense)/income from insurance contract issued		
Interest accreted to insurance contracts using locked-in rate	(2,857)	(492)
Change in interest rates and other financial assumptions	311	789
Total amounts recognised in the profit or loss	(2,546)	297
Finance income/(expenses) from reinsurance contract held		
Interest accreted to insurance contracts using locked-in rate	92	14
Change in interest rates and other financial assumptions	(10)	(21)
Total amounts recognised in the profit or loss	82	(7)
Total investment income and net insurance financial result		
Represented by:		
Amounts recognised in profit or loss	16,912	5,225
Amounts recognised in OCI	-	(5,879)

6. Other income and expense

The following items have been included in arriving at other income and expenses:

	Note	**2023** $'000	**2022** $'000
Auditor's remuneration		376	185
Depreciation of property and equipment	9	319	614
Amortisation of intangible asset	10	1,027	1,405
Gain on disposal of property and equipment		(74,474)	(40)
Staff costs expense	7	25,886	25,678

Included in the gain on disposal of property and equipment is profit on sale of leasehold land and building amounted to $74,506,000.

As at 31 December 2023, the Company had 236 (2022: 221) employees. Included in management expenses an amount of $5,676,000 (2022: $5,195,000) which was allocated and presented as part of the insurance service expense.

7. Staff costs expense

	2023 $'000	**2022** $'000
Staff costs expense (including directors):		
Salaries and bonuses	21,563	21,106
Central Provident Fund contributions	2,446	2,537
Other staff costs	1,877	2,035
	25,886	25,678

8. Income tax expense

The major components of income tax expense for the year ended 31 December:

	Note	**2023** $'000	**2022 restated** $'000
Current tax			
- Current income tax		17,475	3,863
- Underprovision in respect of prior years		-	213
		17,475	4,076
Deferred tax	21	699	(34)
Income tax expense recognised in profit or loss		18,174	4,042

Reconciliation of the statutory tax rate to the Company's effective tax rate applicable to profit before taxation for the financial year ended 31 December:

	2023 $'000	**2022 restated** $'000
Profit before income tax	111,609	23,616
Tax at statutory rate of 17% (2022: 17%)	18,974	4,015
Adjustments:		
Income not subject to tax	(786)	-
Non-deductible expenses	519	(303)
Effect of partial tax exemption	(17)	(17)
Effect of income at concessionary tax rate	(306)	(160)
Underprovision of tax in prior years	-	213
Others	(210)	294
Income tax expense recognised in profit or loss	18,174	4,042

Movement in provision for income tax:

	2023 $'000	**2022** $'000
Balance at 1 January	4,071	3,061
Current year tax expense	17,475	4,076
Tax paid during the year	(4,042)	(3,066)
Balance at 31 December	17,504	4,071

9. Property and equipment

	Note	Leasehold land	Leasehold building	Computer hardware	Office furniture and equipment	Motor vehicles	Renovation	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023								
Cost								
Balance at 1 January		10,341	10,217	5,673	2,257	590	428	29,506
Additions		-	-	154	6	-	-	160
Disposal		(10,341)	(10,217)	(4,562)	(2,241)	(206)	(428)	(27,995)
Balance at 31 December		-	-	1,265	22	384	-	1,671
Accumulated depreciation								
Balance at 1 January		-	3,772	5,549	2,118	224	123	11,786
Depreciation charge	6	-	83	64	54	75	43	319
Disposal		-	(3,855)	(4,557)	(2,160)	(61)	(166)	(10,799)
Balance at 31 December		-	-	1,056	12	238	-	1,306
Net book value								
Balance at 31 December		-	-	209	10	146	-	365

	Note	Leasehold land	Leasehold building	Computer hardware	Office furniture and equipment	Motor vehicles	Renovation	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022								
Cost								
Balance at 1 January		10,341	10,217	6,511	2,241	769	428	30,507
Additions		-	-	123	28	-	-	151
Disposal		-	-	(961)	(12)	(179)	-	(1,152)
Balance at 31 December		10,341	10,217	5,673	2,257	590	428	29,506
Accumulated depreciation								
Balance at 1 January		-	3,605	6,369	2,012	210	37	12,233
Depreciation charge	6	-	167	141	118	102	86	614
Disposal		-	-	(961)	(12)	(88)	-	(1,061)
Balance at 31 December		-	3,772	5,549	2,118	224	123	11,786
Net book value								
Balance at 31 December		10,341	6,445	124	139	366	305	17,720

The leasehold land and building are located at 51 Club Street, Liberty House, Singapore. The leasehold land and building were sold on 30 June 2023 at a profit of $74,506,000. The fair value of land and building as at 31 December 2023 was nil (2022: $70,000,000).

10. Intangible assets

	Note	2023 $'000	2022 $'000
Cost			
Balance at 1 January		17,592	16,743
Additions		1,254	972
Disposal		(7,965)	(123)
Balance at 31 December		10,881	17,592
Accumulated amortisation			
Balance at 1 January		15,005	13,715
Amortisation charge	6	1,027	1,405
Disposal		(7,965)	(115)
Balance at 31 December		8,067	15,005
Net book value			
Balance at 31 December		2,814	2,587

Intangible assets consist of computer software and are amortised over a period of 3 years on a straight-line basis. Included in intangible assets is work-in-progress for computer software of $1,662,000 (2022: $1,069,000).

11. Leases

The Company has lease contracts for office space used in its operations. Leases of office space generally have lease terms of 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

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

	2023 $'000	2022 $'000
Office space		
Balance at 1 January	-	-
Additions	11,127	-
Depreciation expense	(481)	-
Balance at 31 December	10,646	-

Undiscounted lease liabilities:

	2023	**2022**
	$'000	$'000
Less than 1 year	2,122	-
2 to 5 years	9,262	-
More than 5 years	193	-
	11,577	-

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

	2023	**2022**
	$'000	$'000
Office space		
Balance at 1 January	-	-
Additions	10,563	-
Accretion of interest	88	-
Payments	-	-
Balance at 31 December	10,651	-
Current portion - matures within the next 12 months	1,798	-
Non-current portion – matures after the next 12 months	8,853	-
	10,651	-

The following are the amounts recognised in profit or loss:

	2023	**2022**
	$'000	$'000
Depreciation of right-of-use assets	481	-
Interest expense on lease liabilities	88	-
Expense relating to short-term lease (included in other operating expenses)	693	-
Total amount recognised in profit or loss	1,262	-

12. Investment in subsidiary

	2023	**2022**
	$'000	$'000
Unquoted equity shares, at cost	24,558	24,558

The details of the subsidiary company are as follows:

Name	Principal place of business	Principal activities	Percentage of equity held 2023 %	2022 %
Liberty International Insurance Limited*	Hong Kong	Life and general insurance business	68	68

*Audited by Ernst & Young, Hong Kong

13. Investments in debt securities

	2023	**2022**
	$'000	$'000
Quoted investments, at fair value		
Government securities	268,637	198,890
Corporate bonds	2,537	3,565
Total investments	271,174	202,455
Current portion - matures within the next 12 months	55,533	59,726
Non-current portion - matures after the next 12 months	215,641	142,729
	271,174	202,455

The Company has applied FRS 109 prospectively and has reclassified its investment in debt securities from AFS amounting to $202,455,000 as at 1 January 2023 to FVPL.

The carrying value are determined as follows:

	Note	2023 $'000	2022 $'000
Balance at 1 January		202,455	189,668
Additions		126,208	56,637
Maturities, redemptions and disposals		(60,005)	(37,000)
Amortisation of premium on investments	5	-	(967)
Change in fair value loss recognised at FVTPL	5	2,516	(4)
Change in fair value loss recognised at OCI	22	-	(5,879)
Balance at 31 December		271,174	202,455

The weighted average effective interest rate as at 31 December 2023 for the Company was 3.21% (2022: 3.32%). The maturity of these investments is disclosed in Note 27(i).

14. Loans

	Note	2023 $'000	2022 $'000
Staff loans, secured	29(b)	25	50
Quistclose loan, unsecured		5	135
		30	185
Current portion – due within the next 12 months	17	30	160
Non-current portion – due after the next 12 months		-	25
		30	185

Staff loans represent outstanding balances of car loans to employees under an approved car benefit scheme of the Company which are secured against the cars owned by the staff. The loan period is for 6 years and are non-interest bearing.

Quistclose loan represents outstanding balance of loan to an agent where the borrower is subjected to a specific obligation to the use of money for a specific purpose. The loan period is for 3 years and is non-interest bearing.

The fair value of these loans is estimated using the discounted cash flows method, based on current market lending rates for similar types of loan arrangements. At the end of the reporting period, the carrying amounts of staff loans approximate their fair values.

15. Insurance and reinsurance contracts

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

	Assets $'000	Liabilities $'000	Net $'000
2023			
Insurance contracts issued			
Motor insurance	-	65,768	65,768
Accident & health insurance	-	30,664	30,664
Property & casualty insurance	-	91,171	91,171
Total insurance contracts issued	-	187,603	187,603
Reinsurance contracts held			
Motor insurance	(723)	189	(534)
Accident & health insurance	(1)	303	302
Property & casualty insurance	(2,005)	535	(1,470)
Total reinsurance contracts held	(2,729)	1,027	(1,702)
2022			
Insurance contracts issued			
Motor insurance	-	71,106	71,106
Accident & health insurance	-	23,514	23,514
Property & casualty insurance	-	96,325	96,325
Total insurance contracts issued	-	190,945	190,945
Reinsurance contracts held			
Motor insurance	(326)	39	(287)
Accident & health insurance	(4)	401	397
Property & casualty insurance	(3,211)	685	(2,526)
Total reinsurance contracts held	(3,541)	1,125	(2,416)

15.1 Roll-forward of insurance contract assets/liabilities

The roll-forward of the net asset or liability of for insurance and reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

		Liabilities for remaining coverage		Liabilities for incurred claims		
2023	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Insurance contract assets at 1 January		-	-	-	-	-
Insurance contract liabilities at 1 January		98,094	7,380	76,615	8,856	190,945
Net insurance contract liabilities at 1 January		98,094	7,380	76,615	8,856	190,945
Insurance revenue		(208,981)	-	-	-	(208,981)
Insurance service expenses						
Amortisation of insurance acquisition cash flows		46,209	-	-	-	46,209
Losses on onerous contracts		-	345	-	-	345
Incurred claims and other expenses		-	-	123,443	5,354	128,797
Changes to liabilities for incurred claims		-	-	(13,013)	(6,228)	(19,241)
	4	46,209	345	110,430	(874)	156,111
Insurance service result		(162,772)	345	110,430	(874)	(52,871)
Insurance finance expenses	5	-	-	2,279	267	2,546
Total changes in the statement of comprehensive income		(162,772)	345	112,709	(607)	(50,325)

	Note	Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Cash flows						
Premiums received		206,345	-	-	-	206,345
Insurance acquisition cash flows		(45,312)	-	-	-	(45,312)
Claims and other expenses paid		-	-	(114,050)	-	(114,050)
Total cash flows		161,033	-	(114,050)	-	46,983
Net insurance contract liabilities at 31 December	15	96,355	7,725	75,274	8,249	187,603
Insurance contract assets at 31 December		-	-	-	-	-
Insurance contract liabilities at 31 December		96,355	7,725	75,274	8,249	187,603
Net insurance contract liabilities at 31 December	15	96,355	7,725	75,274	8,249	187,603

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		Liabilities for remaining coverage		Liabilities for incurred claims		
2022	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Insurance contract assets at 1 January		-	-	-	-	-
Insurance contract liabilities at 1 January		83,288	2,603	78,376	8,697	172,964
Net insurance contract liabilities at 1 January		83,288	2,603	78,376	8,697	172,964
Insurance revenue		(187,611)	-	-	-	(187,611)
Insurance service expenses						
Amortisation of insurance acquisition cash flows		40,528	-	-	-	40,528
Losses on onerous contracts		-	4,777	-	-	4,777
Incurred claims and other expenses		-	-	106,442	5,123	111,565
Changes to liabilities for incurred claims		-	-	(7,730)	(4,932)	(12,662)
	4	40,528	4,777	98,712	191	144,208
Insurance service result		(147,083)	4,777	98,712	191	(43,403)
Insurance finance income	5	-	-	(265)	(32)	(297)
Total changes in the statement of comprehensive income		(147,083)	4,777	98,447	159	(43,700)

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	Note	Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Cash flows						
Premiums received		204,512	-	-	-	204,512
Insurance acquisition cash flows		(42,623)	-	-	-	(42,623)
Claims and other expenses paid		-	-	(100,208)	-	(100,208)
Total cash flows		161,889	-	(100,208)	-	61,681
Net insurance contract liabilities at 31 December	15	98,094	7,380	76,615	8,856	190,945
Insurance contract assets at 31 December		-	-	-	-	-
Insurance contract liabilities at 31 December		98,094	7,380	76,615	8,856	190,945
Net insurance contract liabilities at 31 December	15	98,094	7,380	76,615	8,856	190,945

15.2 Roll-forward of reinsurance contract assets/liabilities

The roll-forward of the net asset or liability of for reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

		Assets for remaining coverage		Amounts recoverable on incurred claims		
2023	Note	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Insurance contract assets at 1 January		578	-	2,620	343	3,541
Insurance contract liabilities at 1 January		(934)	-	(209)	18	(1,125)
Net insurance contract assets/(liabilities) at 1 January		(356)	-	2,411	361	2,416
Allocation of reinsurance premiums		(11,395)	-	-	-	(11,395)
Amounts recovered from reinsurers for incurred claims						
Amounts recoverable for incurred claims and other expenses		-	-	2,415	-	2,415
Changes to amount recoverable on incurred claims		-	-	(2,066)	(372)	(2,438)
		-	-	349	(372)	(23)
Net (expense)/income from reinsurance contracts held		(11,395)	-	349	(372)	(11,418)
Reinsurance finance income	5	-	-	71	11	82
Total changes in the statement of comprehensive income		(11,395)	-	420	(361)	(11,336)

	Note	Assets for remaining coverage		Amounts recoverable on incurred claims		
		Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Cash flows						
Premiums received		13,285	-	-	-	13,285
Amount received		(2,239)	-	(424)	-	(2,663)
Total cash flows		11,046	-	(424)	-	10,622
Net insurance contract assets/(liabilities) at 31 December	15	(705)	-	2,407	-	1,702
Insurance contract assets at 31 December		428	-	2,301	-	2,729
Insurance contract liabilities at 31 December		(1,133)	-	106	-	(1,027)
Net insurance contract assets/(liabilities) at 31 December	15	(705)	-	2,407	-	1,702

		Assets for remaining coverage		Amounts recoverable on incurred claims		
2022	Note	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Insurance contract assets at 1 January		1,321	-	1,942	273	3,536
Insurance contract liabilities at 1 January		(570)	-	-	-	(570)
Net insurance contract assets/(liabilities) at 1 January		751	-	1,942	273	2,966
Allocation of reinsurance premiums		(7,673)	-	-	-	(7,673)
Amounts recovered from reinsurers for incurred claims						
Amounts recoverable for incurred claims and other expenses		-	-	28	(1)	27
Changes to amount recoverable on incurred claims		-	-	336	90	426
		-	-	364	89	453
Net (expense)/income from reinsurance contracts held		(7,673)	-	364	89	(7,220)
Reinsurance finance expense	5	-	-	(6)	(1)	(7)
Total changes in the statement of comprehensive income		(7,673)	-	358	88	(7,227)

	Note	Assets for remaining coverage		Amounts recoverable on incurred claims		
		Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		$'000	$'000	$'000	$'000	$'000
Cash flows						
Premiums received		8,123	-	-	-	8,123
Amount received		(1,557)	-	111	-	(1,446)
Total cash flows		6,566	-	111	-	6,677
Net insurance contract assets/(liabilities) at 31 December	15	(356)	-	2,411	361	2,416
Insurance contract assets at 31 December		578	-	2,620	343	3,541
Insurance contract liabilities at 31 December		(934)	-	(209)	18	(1,125)
Net insurance contract assets/(liabilities) at 31 December	15	(356)	-	2,411	361	2,416

16. Balances with related parties

Balances with related parties are unsecured and interest free. The carrying amount approximate their fair values as they are repayable on demand.

17. Other assets

	Note	2023 $'000	2022 $'000
Deposits		820	25
Prepayments		261	216
Loans, current portion	14	30	160
Accrued interest receivable		2,513	2,097
Sundry debtors		1,467	1,141
		5,091	3,639

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

18. Short term investments

	2023 $'000	2022 $'000
Fixed deposits with financial institutions	65,343	99,321
Fixed deposits held in trust for policyholders	44,033	34,012
	109,376	133,333
Current portion – matures within the next 12 months	109,376	133,333
Non-current portion – matures after the next 12 months	-	-
	109,376	133,333

Short term investments are fixed deposits held with financial institutions with a maturity period of more than 3 months on date of acquisition and earn interest at the respective fixed deposit rates. As at 31 December 2023 the weighted average effective interest rates was 1.81% (2022: 1.64%).

The carrying amounts of short-term investments approximate their fair value.

19. Cash and bank balances

	2023 $'000	2022 $'000
Cash and bank balances	44,821	52,049
Fixed deposits held in trust for policyholders	-	4,000
Cash and bank balances held in trust for policyholders	1,584	5,455
	46,405	61,504

Included in cash and bank balances are fiduciary deposits held in trust for policyholders. As such, only $44,821,000 (2022: $52,049,000) are considered as cash and cash equivalents as reported in the cash flow statement. As at 31 December 2023 the weighted average effective interest rates was nil% (2022: 0.89%).

The carrying amounts of cash and cash equivalents approximate their fair value.

20. Other liabilities

	2023 $'000	2022 $'000
Cash collateral from policyholders	45,615	43,465
Other creditors and accruals	10,234	10,671
	55,849	54,136

The cash collateral obtained from policyholders are placed in cash and bank balances and fixed deposits with financial institutions. The carrying amounts of other creditors approximate their fair values due to the short-term nature of these balances.

21. Deferred tax

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

	2023 $'000	2022 restated $'000
Deferred tax (assets)/liabilities		
Depreciation of fixed assets	234	487
Excess loss reserves	(159)	(178)
Unrealised loss on investments	-	(922)
Temporary differences arising from the adoption of FRS 117	(571)	(582)
	(496)	(1,195)

Movement in deferred tax (assets)/liabilities:

	Note	2023 $'000	2022 restated $'000
Balance at 1 January		(1,195)	101
Impact on initial recognition of FRS 117	2.2(c)	-	(262)
Impact on initial recognition of FRS 109	8	922	-
Balance at 1 January, restated		(273)	(161)
Charge/(credit) to:			
Profit or loss	8	(223)	(34)
Fair value adjustment reserves	22	-	(1,000)
Balance at 31 December		(496)	(1,195)

22. Fair value adjustment reserves

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

	Note	2023 $'000	2022 restated $'000
Balance at 1 January		(4,499)	380
Impact on initial adoption of FRS 109		4,499	-
Balance at 1 January, restated		-	380
Change in fair value loss on investments at OCI	13	-	(5,879)
Deferred tax on change in fair value on investments	21	-	1,000
Balance at 31 December		-	(4,499)

23. Financial assets and liabilities

	Notes	2023 $'000	2022 restated $'000
Financial assets			
Investments in debt securities	13	271,174	202,455
Loans	14	30	185
Due from related parties	16	1,925	2,862
Other assets (excludes prepayments)	17	4,800	3,263
Short term investments	18	109,376	133,333
Cash and bank balances	19	46,405	61,504
		433,710	403,602
Financial liabilities			
Due to related parties	16	787	719
Other liabilities (excludes GST payable)	20	54,087	52,601
		54,874	53,320

The above financial assets and financial liabilities are measured at amortised cost except for investments in debt securities which are measured at fair market value.

24. Loans and receivables

	Notes	2023 $'000	2022 restated $'000
Loans	14	30	185
Due from related parties	16	1,925	2,862
Other assets (excludes prepayments)	17	4,800	3,263
Short term investments	18	109,376	133,333
Cash and bank balances	19	46,405	61,504
		162,536	201,147

25. 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.

26. Insurance risk

The Company has established protocols to manage its insurance risks. This section summarises these risks and the way the Company manages them.

(i) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company’s overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management and approval by the Board of Directors in accordance with prevailing economic and operating conditions. The Company operates a system of delegated authorities across key functions including underwriting, reinsurance management, claims management and investments.

The Company also faces insurance risks related to underwriting, the risk of incurring higher claim costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Company seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to security of reinsurers.
The following tables show the concentration of net insurance contract liabilities by type of contract:

	Insurance	Reinsurance held	Net
	$'000	$'000	$'000
2023			
Motor insurance	65,768	(534)	65,234
Accident & health insurance	30,664	302	30,966
Property & casualty insurance	91,171	(1,470)	89,701
Total net insurance contracts	187,603	(1,702)	185,901
2022			
Motor insurance	71,106	(287)	70,819
Accident & health insurance	23,514	397	23,911
Property & casualty insurance	96,325	(2,526)	93,799
Total net insurance contracts	190,945	(2,416)	188,529

(ii) Reinsurance risk

The Company's has in place a Reinsurance Management Strategy as approved by the Board of Directors. The primary objectives include the protection of shareholders' fund, maintain strong capital and solvency position to provide security to the policyholders and to facilitate the management of insurance risks. The Company's Reinsurance management is addressed by the following protocols:

(a) Placement of appropriate treaty or facultative reinsurance is governed by the Company's Reinsurance Management Strategy and Liberty Mutual Group Reinsurance Security Standards and protocols.

(b) Reinsurance arrangements are assessed annually to determine their effectiveness based on current exposures, historical trends, future business strategy and disaster scenario testing.

(c) Reinsurance counterparties exposure is actively monitored with reference to age of outstanding reinsurance balances and reinsurers' credit rating.

(iii) Sensitivities

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

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions (refer Note 3.1) held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	$'000	$'000	$'000	$'000
2023				
Discount rate[1]				
Increase by 5%	(212)	(207)	(176)	(172)
Decrease by 5%	213	208	177	173
Risk adjustment				
Increase by 5%	412	412	342	342
Decrease by 5%	(412)	(412)	(342)	(342)
Expected Loss				
Increase by 5%	4,045	3,964	3,357	3,290
Decrease by 5%	(4,045)	(3,964)	(3,357)	(3,290)
2022				
Discount rate[1]				
Increase by 5%	(195)	(189)	(162)	(157)
Decrease by 5%	196	190	163	157
Risk adjustment				
Increase by 5%	443	425	368	353
Decrease by 5%	(443)	(425)	(368)	(353)
Expected Loss				
Increase by 5%	4,201	4,065	3,487	3,374
Decrease by 5%	(4,201)	(4,065)	(3,487)	(3,374)

[1] Discount rate sensitivities are disclosed as a variation in the actual rate by +/-5%, not as a 5% movement in the rate itself.

(iv) Claims development table

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

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

The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies FRS 117.

Accident Year	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year	93,772	86,926	100,097	104,855	121,653	507,303
1 year later	87,371	79,277	91,555	95,416		353,619
2 years later	84,398	76,489	87,716			248,603
3 years later	83,710	75,096				158,806
4 years later	83,287					83,287
Cumulative claims incurred	83,287	75,096	87,716	95,416	121,653	463,168
Cumulative payments to date	(81,002)	(71,821)	(82,200)	(79,949)	(64,941)	(379,913)
Undiscounted liabilities for incurred claims	2,285	3,275	5,516	15,467	56,712	83,255
Outstanding liability pertaining to accident year 2018 and before						2,230
Effect of discounting						(4,369)
Total net liabilities for incurred claims						81,116

	Estimates of the present value of future cash flows	Risk adjustment	Total
	$'000	$'000	$'000
Gross liabilities for incurred claims	75,274	8,249	83,523
Amount recoverable from reinsurer	(2,407)	-	(2,407)
Total net liabilities for incurred claims	72,867	8,249	81,116

27. Financial risk

The Company is exposed to interest rate, equity prices, credit, currency and liquidity risk. The board of directors reviews and approves policies which provide the framework, guidelines for overall financial risk management. In addition, the Company adopts more detailed operating guidelines tailored to regulatory requirements, in particular to comply with the investment limits of the respective insurance funds. Reviews of these policies are conducted annually and quarterly as business and economic conditions require.

(i) Interest rate risk

Fixed income portfolios are affected by interest rate fluctuations as well as exposure to credit risk. A buy and hold strategy is generally assumed, particularly in respect of the Singapore funds due to the limitation of fixed interest assets available locally, and asset allocation is made primarily on yield to maturity projection of investment grade fixed income instruments. Duration risk is also taken into account to a certain extent but it is considered in conjunction with projected cash flows.

The following table sets out the carrying amount by maturity of the Company's financial assets that are exposed to interest rate risk:

	Less than 1 year	2 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
2023				
Investments in debt securities	55,533	206,979	8,662	271,174
Short term investments	109,376	-	-	109,376
Total	164,909	206,979	8,662	380,550
2022				
Investments in debt securities	59,726	131,171	11,558	202,455
Short term investments	133,333	-	-	133,333
Total	193,059	131,171	11,558	335,788

The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Company's profit and equity, net of tax (through the impact on interest income from fixed deposits and investments in debt securities):

	Increase/ (decrease) in profit after tax	Increase/ (decrease) in equity after tax
	$'000	$'000
2023		
Increase in 15 basis points	(778)	(778)
Decrease in 15 basis points	622	622
2022		
Increase in 15 basis points	(444)	(444)
Decrease in 15 basis points	339	339

(ii) Equity price risk

The Company's investment portfolio comprises mainly of fixed income assets. As such, it has very minimal exposure to adverse changes in the prices of equity securities.

(iii) Credit and concentration risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The Company minimises this risk by limiting its counterparties to a sufficient number of major banks, financial institutions and listed corporations. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the management. The Company exposures are within the concentration limits set by the local regulators.

Direct credit risks represent the loss resulting from counterparty default. The fixed income and money market investment decisions are based on stringent credit selection criteria and rating by recognised rating agencies.

Credit risk arising from premiums and claims receivable from agents, brokers and reinsurers are managed through ongoing monitoring and credit evaluation on a periodic basis. The Company only deals with pre-approved reinsurance counterparties with good credit ratings.

The following table summarises the credit ratings of the Company's financial assets as at 31 December:

	Investment Grade (BBB to AAA)	Not rated	Total
	$'000	$'000	$'000
2023			
Investment in debt securities	271,174	-	271,174
Loans	-	30	30
Due from related parties	1,585	340	1,925
Other assets (excludes prepayments)	2,513	2,287	4,800
Short term investments	109,376	-	109,376
Cash and bank balances	46,405	-	46,405
	431,053	2,657	433,710
2022			
Investment in debt securities^	201,760	695	202,455
Loans	-	185	185
Due from related parties	1,843	1,019	2,862
Other assets (excludes prepayments)	2,097	1,166	3,263
Short term investments	133,333	-	133,333
Cash and bank balances	61,504	-	61,504
	400,537	3,065	403,602

^ Not rated investments in debt securities are all issued by Singapore Statutory Boards.

(iv) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

The Company is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks are monitored on an ongoing basis. The Company's principal transactions are carried out in Singapore dollar and its exposure to foreign exchange risks are primarily currencies listed in the following table.

Management does not consider the Company's exposure to foreign currency exchange fluctuations to be significant and therefore it does not enter into derivative contracts to manage this risk.

The table below summarises the Company's financial by major currencies:

SGD Equivalents	US Dollar	Malaysia Ringgit	Hong Kong Dollar	Total
	$'000	$'000		$'000
2023				
Financial assets				
Investment in debt securities	305	-	-	305
Due from related parties	180	-	-	180
Other assets (excludes prepayments)	4	-	-	4
Cash and bank balances	3,437	728	-	4,165
	3,926	728	-	4,654
2022				
Financial assets				
Investment in debt securities	667	-	-	667
Loans	135	-	-	135
Due from related parties	-	-	1	1
Other assets (excludes prepayments)	14	-	-	14
Cash and bank balances	15,887	3,093	-	18,980
	16,703	3,093	1	19,797

(v) 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, all of the Company's financial liabilities will mature within one year and all financial assets will mature within one year except as disclosed in note 27(i).

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis)

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	Less than 1 year	2 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
2023				
Insurance contract liabilities	44,276	30,016	982	75,274
Reinsurance contract liabilities	101	5	-	106
Total	44,377	30,021	982	75,380
2022				
Insurance contract liabilities	49,923	26,436	256	76,615
Reinsurance contract liabilities	(205)	(4)	-	(209)
Total	49,718	26,432	256	76,406

28. Capital management

The Company's primary objectives when managing capital are:

i) To comply with the minimum capitalization requirement under the Singapore Insurance Act;

ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide security for its policyholders, returns for shareholders and benefits for other stakeholders; and

iii) To maintain a strong capital base to support the development of the business.

The Company is also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Company maintains a certain level of capital to ensure solvency margins in excess of regulatory requirements are maintained which in turn protect its policyholders and compliance with regulatory requirements. The Company monitors its capital level and solvency position on a regular basis to assess whether such requirements have been met and reports to the Monetary Authority of Singapore its fund solvency and capital adequacy positions quarterly and annually.

The Company has made no significant changes, from previous years to its policies and processes for its capital structure and the Company has complied with all externally imposed capital requirements in 2023 and 2022.

29. Related party transactions

(a) Transactions with related parties

The Company enters transactions with its holding companies and its subsidiaries in the normal course of business. The purchases from related parties are made on terms and conditions that are agreed between parties.

Details of significant transactions carried out during the year with related parties are as follows:

	2023 $'000	2022 $'000
Non-Trade		
Dividend received/receivable from subsidiary	4,625	-
Dividend paid/payable to holding company	93,700	-
Head Office IT support services paid/payable to holding company	2,449	2,191
Head Office consulting services paid/payable to holding company	916	1,008
Reimbursement of expenses paid/payable to holding company	1,463	1,227
IT support services mark-up costs receive/receivable from holding company	273	137
IT infrastructure reimbursement received/receivable from holding company	2	178
Management expenses recharges received/receivable from holding company	154	-
Investment management fees paid/payable to a related party	316	263
Reimbursement of expenses paid/payable to related parties	930	372
Accounting service fees received/receivable from a related party	58	58
Net management services received/receivable from related parties	3,535	3,966

Trade		
Holding Company		
Premium paid/payable	7,477	6,835
Commission received/receivable	1,105	789
Claims recovered/recoverable	77	132
Related Parties		
Net premium received/receivable	3,316	2,991
Net commission paid/payable	270	281
Net claims paid/payable	3,265	2,745

(b) Loans to related parties

	2023	**2022**
	$'000	$'000
Car loans to key management personnel (note 14)	25	50

(c) Compensation of key management personnel

Key management personnel of the Company include all directors and senior management. The summary of compensation of key management personnel for the year is as follows:

	2023	**2021**
	$'000	$'000
Salaries and CPF contributions	1,728	2,284
Bonuses	354	963
Other short-term benefits	502	614

Management is of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are agreed between the parties.

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 20 June 2024.