Company Registration No. 198901301C

ECICS Limited

Annual Financial Statements
31 December 2022

Building a better
working world

ECICS Limited

General information

Directors

Lim Hua Min
Lim Wah Tong
Ng Choong Tiang, Andrew

Company Secretary

Chionh Yi Chian
Angeline Ng Ching Loo

Registered Office

10 Eunos Road 8
#09-04A Singapore Post Centre
Singapore 408600

Auditor

Ernst & Young LLP

Index

The directors are pleased to present their statement to the member of ECICS Limited (the "Company") the audited financial statements for the financial year ended 31 December 2022.

Opinion of the directors

In the opinion of the directors,

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

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

Directors

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

Lim Hua Min
Lim Wah Tong
Ng Choong Tiang, Andrew

Director's interests in shares and debentures

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

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of directors	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Ultimate holding company				
Philip Assets Pte. Ltd.				
Lim Hua Min	39,100,000	39,100,000	–	–
Immediate holding company				
IFS Capital Limited				
Lim Hua Min	–	–	226,586,029	226,586,029
Lim Wah Tong	2,463,000	2,463,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

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 in or debentures of the Company or any other body corporate.

Share options

During the year, there were:

(a) no options granted by the Company to any person to take up unissued shares in the Company; and

(b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditor

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

On behalf of the Board of Directors:

Ng Choong Tiang, Andrew
Director

Lim Wah Tong
Director

Singapore
30 March 2023

Independent auditor's report to the member of ECICS Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ECICS Limited (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the financial 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 matter

The financial statements of the Company for the financial year ended 31 December 2021 were audited by another auditor whose report dated 25 March 2022 expressed an unmodified opinion on those financial statements.

Other information

Management is responsible for other information. The other information comprises the general information and directors' statement, but does not include the financial statements and our auditor's report thereon.

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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Independent auditor's report to the member of ECICS Limited

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 March 2023

ECICS Limited

Statement of financial position
As at 31 December 2022

	Note	2022 S$	2021 S$
Assets			
Property, plant and equipment	5	29,294	64,426
Intangible assets	6	2,690	4,228
Deferred tax assets	19	503,867	503,867
Reinsurers' share of insurance contract provisions	12	1,375,132	4,025,633
Deposits, prepayments and other receivables	9	272,929	241,702
Other financial assets	7	25,566,331	24,395,793
Insurance receivables	8	834,915	536,187
Cash and bank deposits	10	3,056,327	8,229,059
Total assets		31,641,485	38,000,895
Equity			
Share capital	15	45,000,000	45,000,000
Accumulated losses		(27,017,199)	(26,534,519)
Total equity		17,982,801	18,465,481
Liabilities			
Insurance contract provisions	12	10,435,805	14,667,607
Other payables and accruals	14	718,823	861,455
Insurance payables	13	2,504,056	4,006,352
Total liabilities		13,658,684	19,535,414
Total equity and liabilities		31,641,485	38,000,895

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

ECICS Limited

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

	Note	2022 S$	2021 S$
Gross written premiums		6,837,049	4,497,525
Change in gross provision for unexpired risks	12	149,262	1,773,536
Gross earned premium revenue		6,986,311	6,271,061
Written premiums ceded to reinsurers		(1,331,373)	(662,763)
Reinsurers' share of change in the provision for unexpired risks	12	(278,855)	(206,161)
Net earned premium revenue		5,376,083	5,402,137
Other revenue			
Commission income		293,557	80,922
Investment income	16	312,237	526,058
Other operating income		480,908	156,080
Net income before claims and expenses		6,462,785	6,165,197
Claims and expenses			
Change in provision for insurance claims	12	4,082,540	3,652,759
Reinsurers' share of change in the provision for insurance claims	12	(2,371,646)	(756,320)
Gross claims paid	12	(3,464,530)	(4,386,156)
Reinsurers' share of claims (recovery)/paid	12	(39,675)	284
Net claims incurred		(1,793,311)	(1,489,433)
Commission expenses		(1,351,403)	(1,099,764)
Distribution expenses		(50,153)	(6,769)
Investment expenses		(96,864)	(97,346)
Administrative expenses		(3,725,843)	(3,912,050)
Net reversal of impairment loss on insurance receivables		72,109	29,706
Claims and expenses		(6,945,465)	(6,575,656)
Loss before income tax		(482,680)	(410,459)
Income tax expense	18	–	–
Loss for the year/total comprehensive income for the year attributable to owner of the Company	17	(482,680)	(410,459)

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

ECICS Limited

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

	Share capital S$	**Accumulated losses** S$	**Total equity** S$
At 1 January 2021	45,000,000	(26,124,060)	18,875,940
Total comprehensive income for the year:			
- Loss for the year	–	(410,459)	(410,459)
At 31 December 2021 and at 1 January 2022	45,000,000	(26,534,519)	18,465,481
Total comprehensive income for the year:			
- Loss for the year	–	(482,680)	(482,680)
At 31 December 2022	45,000,000	(27,017,199)	17,982,801

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

ECICS Limited

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

	Note	2022 S$	2021 S$
Cash flows from operating activities			
Loss before income tax		(482,680)	(410,459)
Adjustment for:			
Net reversal of impairment loss on insurance receivables	8	(85,225)	(29,706)
Impairment loss on debt securities	16	20,324	405,247
Amortisation of intangible assets	6	1,538	21,620
Amortisation of debt securities measured at amortised cost	16	(19,241)	25,985
Depreciation of property, plant and equipment	5	39,138	39,071
Dividend income	16	(181,737)	(165,434)
Net loss/(gain) on foreign exchange	16	14,077	(53,847)
Net loss on disposal of investments	16	11,358	1,339
Intangible assets written off	6	–	60,000
Decrease in net provision for insurance claims	12	(1,710,894)	(2,896,439)
Increase/(decrease) in net provision for unexpired risks	12	129,593	(1,567,375)
Interest income	16	(638,760)	(720,081)
Net unrealised loss in fair value change of debt securities mandatorily measured at FVTPL	16	325,598	74,122
Net unrealised loss/(gain) in fair value change of equity securities mandatorily measured at FVTPL	16	156,144	(93,389)
Operating cash flows before working capital changes		(2,420,767)	(5,309,346)
Changes in working capital:			
Insurance and other receivables		(253,533)	1,185,158
Insurance and other payables		116,222	(349,046)
Decrease in deposit held on behalf of policyholders		(1,761,150)	(3,130,058)
Cash flows used in operating activities		(4,319,228)	(7,603,292)
Income tax paid		–	–
Net cash flows used in operating activities		(4,319,228)	(7,603,292)
Cash flows from investing activities			
Interest received		644,413	684,678
Dividend received		184,887	162,284
Purchase of investments	7	(12,490,390)	(3,492,154)
Proceeds from disposal of investments	7	10,811,592	6,365,626
Proceeds from deposit held on behalf of policyholders		1,761,150	3,130,058
Acquisition of property, plant and equipment	5	(4,006)	(3,749)
Acquisition of intangible assets	6	–	(4,615)
Net cash flows generated from investing activities		907,646	6,842,128
Net decrease in cash and cash equivalents		(3,411,582)	(761,164)
Cash and cash equivalents at beginning of year		5,665,784	6,426,948
Cash and cash equivalents at end of year	10	2,254,202	5,665,784

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

1. Corporate information

ECICS Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 10 Eunos Road 8 #09-04A, Singapore Post Centre, Singapore 408600.

The Company is registered as a direct general insurer under the Insurance Act 1966.

The immediate holding company and ultimate holding company are IFS Capital Limited ("IFS") and Phillip Assets Pte. Ltd., both companies are incorporated in the Republic of Singapore. Related companies and corporations in these financial statements refer to the group companies of the immediate and ultimate holding company.

2. Basis of preparation

2.1 *Statement of compliance*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

2.2 *Basis of measurement*

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies or the explanatory notes set out below.

2.3 *Functional and presentation currency*

The financial statements are presented in Singapore dollars, which is the Company's functional currency. Premiums and claims are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors are of the opinion that Singapore dollars reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.4 *Use of estimates and judgements*

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and assumptions utilised, as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 20.

2.5 *Changes in accounting policies*

New standards and amendments

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022. The impact of the adoption of these new or amended standards and interpretations in the financial statements is assessed to be immaterial.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Company.

3.1 *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

3.2 *Classification of insurance contracts*

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Bond and guarantee insurance contracts

Risks covered under the guarantee business are related to the client's performance capabilities to meet the requirements of projects or contracts, for which the Company issues bonds and guarantees on behalf of the clients.

The major classes of bonds and guarantees issued include Performance Bonds, Advance Payment Bond, Contract Tender Bond/Bid Bond, Qualifying Certificate Bond, Customs Bond, Foreign Worker Bond, Tenancy/Rental Bond, Account Payment Bond and Employment Agency License Bond.

The Company also provides financial guarantees guaranteeing the payment obligations of our clients under a loan agreement, bond or any debt instrument.

Maid insurance

The Company provides coverage for domestic maids against personal accidents, hospitalisation & surgical expenses and issuance of security bond to Ministry of Manpower of Singapore.

3. Significant accounting policies (cont'd)

3.2 *Classification of insurance contracts (cont'd)*

Engineering insurance

Engineering insurance provides economic safeguard to the risks of accidental losses or damages to property faced by the ongoing construction project, installation project, and machines and equipment in project operation. The coverage also includes indemnity towards liability to third party whose property might be damaged or bodily injury sustained as a result of the construction works.

Motor insurance

Motor insurance policies cover private cars and commercial vehicles. Risks covered under motor insurance are related to losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.

Property insurance

Property insurance is a policy that indemnifies the owner or user of property, its contents and loss of income in the event of damage or losses.

Casualty insurance

Casualty insurance is a policy that covers losses caused by injuries to persons and legal liability imposed on the insured for such injury or for damage to property of others.

3.3 *Recognition and measurement of insurance contracts*

Premiums and provision for unexpired risks

Gross written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written do not include an estimate for pipeline premiums.

For bonds and guarantees, maid insurance, engineering insurance, work injury compensation insurance, motor insurance, property insurance and casualty insurance, premiums are recognised upon inception of risk.

The provision for unexpired risks includes unearned premiums calculated on a daily pro-rata basis on the net written premiums over the policy period for all insurance policies. An additional provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

Fees and other charges to policyholders

Administration fees are charged to policyholders for the cost of processing and issuing bonds and guarantees. These are recognised in profit or loss immediately.

3. Significant accounting policies (cont'd)

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

Claims incurred and provision for insurance claims

Claims incurred comprise claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

Provision for insurance claims comprises provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and a provision for adverse deviation ("PAD"). Provision for insurance claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for insurance claims is discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the management considers that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed annually.

Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net losses. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Reinsurance premium expense, reinsurers' share of claims incurred and reinsurance commission income are presented in profit or loss and statement of financial position on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the statement of financial position.

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

Commission expense

Commission expenses are fees paid to intermediaries upon acquiring new and renewal of insurance business.

3. Significant accounting policies (cont'd)

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

Commission expense (cont'd)

For all insurance policies, commission expenses are not amortised on a pro-rata basis over the period of the contracts.

Commission income

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Company to render further service. Commission income is not deferred and amortised on a pro-rata basis over the period of the contracts but are recognised in full on the effective commencement or renewal dates of the policies.

Claim recoveries

Claim recoveries represent actual subrogation recoveries received from policyholders during the year.

Insurance receivables and payables

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivables or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3.9.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets, as described in Note 3.10.

The Company does not measure insurance receivables in accordance with SFRS(I) 9 Financial Instruments as rights and obligations arising under an insurance contract are accounted in accordance with SFRS(I) 4 Insurance Contracts.

Liability adequacy test

The liability of the Company under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the insurance contract provisions for gross unexpired risks and gross insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

3.4 *Revenue recognition*

Service fees are recognised on an accrual basis.

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

3. Significant accounting policies (cont'd)

3.4 *Recognition recognition (cont'd)*

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

3.5 *Government grants*

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other operating income' on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as 'other operating income' on a systematic basis in the periods in which expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised.

3.6 *Investment income and investment costs*

The Company's investment income and investment costs include:

- interest income;
- dividend income;
- the net gain or loss on the disposal of debt investments measured at FVOCI;
- the net gain or loss on financial assets at FVTPL; and
- impairment losses (and reversals) on debt investments carried at amortised cost or FVOCI.

Interest income or expense is recognised using the effective method. Dividend income is recognised in the profit or loss on the date on which the Company's right to receive payment is established.

The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.7 *Property, plant and equipment*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equity is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. Significant accounting policies (cont'd)

3.7 *Property, plant and equipment (cont'd)*

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimate useful lives for the current and comparative years are as follows:

Office renovations	-	5 years
Furniture and fittings	-	4 years
Office equipment	-	5 years
Computer equipment	-	5 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are disposed of.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.8 *Intangible assets*

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software is amortised from the date the asset is available for use. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of 3 years, from the date on which they are available for use.

3. Significant accounting policies (cont'd)

3.9 *Financial instruments*

(a) *Recognition and initial measurement*

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated.

All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) *Classification and subsequent measurement*

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVOCI

There are no financial assets classified as FVOCI.

3. Significant accounting policies (cont'd)

3.9 *Financial instruments (cont'd)*

(b) *Classification and subsequent measurement (cont'd)*

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Significant accounting policies (cont'd)

3.9 *Financial instruments (cont'd)*

(b) *Classification and subsequent measurement (cont'd)*

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

3. Significant accounting policies (cont'd)

3.9 *Financial instruments (cont'd)*

(b) *Classification and subsequent measurement (cont'd)*

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses (cont'd)

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(c) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant accounting policies (cont'd)

3.9 *Financial instruments (cont'd)*

(e) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents while deposits related to cash collaterals from policyholders are excluded.

(f) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

3.10 *Impairment*

(a) *Non-derivative financial assets*

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs on all financial instruments.

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL such as trade and other receivables, debt investments at amortised cost and cash and cash equivalents. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. Significant accounting policies (cont'd)

3.10 *Impairment (cont'd)*

(a) *Non-derivative financial assets (cont'd)*

Simplified approach (cont'd)

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay. The Company considers a financial asset in default when contractual payments are generally 90 days past due.

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

Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired at initial recognition. Loss allowance for purchased or originated financial assets that are credit-impaired on initial recognition is measured at an amount equal to cumulative changes in lifetime ECL.

Measurement of ECLs

ECLs are a probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial assets that are purchased or originated credit-impaired at initial recognition: as the present value of the difference between the cash flows the Company expects to receive at initial recognition and the cash flows that the Company expects to receive subsequent to initial recognition;
- financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover; and

3. Significant accounting policies (cont'd)

3.10 *Impairment (cont'd)*

(a) *Non-derivative financial assets (cont'd)*

Measurement of ECLs (cont'd)

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Only applicable to restructuring of debt investments at FVOCI and financial assets at amortised cost due to financial difficulties of the borrowers:

Where the contractual terms of a financial assets are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties, ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset: the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset: the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets

3. Significant accounting policies (cont'd)

3.10 *Impairment (cont'd)*

(a) *Non-derivative financial assets (cont'd)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(b) *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 *Employee benefits*

Defined contribution plans

Obligations for contributions to a statutory defined contribution plan are recognised as an expense in profit or loss as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Significant accounting policies (cont'd)

3.12 *Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 *Income tax expense*

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

3.13 *Income tax expense (cont'd)*

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

3.14 *New standards and interpretations not yet adopted*

Description	**Effective for annual periods beginning on or after**
SFRS(I) 17 *Insurance Contracts*	1 January 2023
Amendment to SFRS(I) 17*Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1 *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 12 *Deferred Tax Related to Assets and Liabilities Arising from Single Transaction*	1 January 2023
Amendments to SFRS(I) 16 *Lease Liability in a Sale and Leaseback*	1 January 2023
Amendments to SFRS(I) 1 *Non-current Liabilities with Covenants*	1 January 2023
Amendments to SFRS(I) 1 *Classification of Liabilities as Current or Non-current - Deferral of Effective Date*	1 January 2024

Except for SFRS(I) 17, the management expects that the adoption of other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption SFRS(I) 17 is described below:

3. Significant accounting policies (cont'd)

3.14 *New standards and interpretations not yet adopted (cont'd)*

SFRS(I) 17 *Insurance* Contracts

SFRS(I) 17 replaces SFRS(I) 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023.

The Company was previously permitted under SFRS(I) 4 to continue accounting using its previous accounting policies. However, SFRS(I) 17 establishes specific principles for the recognition, measurement, presentation and disclosure of insurance contracts issued or held by the Company. The accounting policies to be adopted by the Company can be summarised, as follows:

i. Premium Allocation Approach ("PAA") model

The PAA simplifies the measurement of insurance contracts in comparison with the general model in SFRS(I) 17. Under SFRS(I) 17, the Company expects that the insurance contracts issued and held are eligible for application of the PAA model as 1) the coverage period of each contract within the portfolio of insurance contracts is one year or less; or 2) the measurement of the liability for remaining coverage for the portfolio of insurance contracts would not differ materially from the measurement that would be produced by applying the requirements for the general model.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under SFRS(I) 4 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 includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

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

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

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

3. Significant accounting policies (cont'd)

3.14 *New standards and interpretations not yet adopted (cont'd)*

SFRS(I) 17 *Insurance* Contracts (cont'd)

ii. Full retrospective approach

SFRS(I) 17 requires an entity to use the same systematic and rational method expected to be used post transition to allocate any insurance acquisition cash flows paid (or for which a liability has been recognised applying another IFRS standard) before the transition date to groups of insurance contracts recognised at transition date and after the transition date.

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

The Company has applied the full retrospective approach at transition date since all portfolios will be on PAA model and the Company can adopt full retrospective for its liability for remaining coverage ("LRC") without the original assumption. For the Loss Incurred Claims ("LIC"), data can be derived from past actuarial reports.

iii. Level of aggregation

SFRS(I) 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The Company has elected to group contracts/portfolio with similar risks and managed together as a cohort. The cohort is determined by underwriting year written between January to December.

iv. Onerous group of contracts

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

v. Contract Boundary

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

3. Significant accounting policies (cont'd)

3.14 *New standards and interpretations not yet adopted (cont'd)*

SFRS(I) 17 *Insurance* Contracts (cont'd)

v. Contract Boundary (cont'd)

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

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

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

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

vi. Discount Rate

SFRS(I) 17 outlines two prescribed methods; namely: bottom-up and top-down methods, for generating a yield curve to be used for the discounting calculation.

The Company considers the bottom-up method to be the most appropriate in order to generate the yield curves required under SFRS(I) 17.

vii. Risk Adjustment

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

For contracts with contract boundary of one year or less are automatically eligible for the PAA and those which pass the PAA eligibility test, the risk adjustment valuation may therefore only be required for Liability for Incurred Claims as the Company would expect the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, for the risk adjustment calculation permitted under SFRS(I) 17, the Company applies a provision of risk margin for adverse deviation ("PAD") to determine the risk adjustment for non-financial risk. The PAD allows for the possibility that reinsured claims may be higher than expected and ensures the sufficiency of reserves at 75% confidence level.

3. Significant accounting policies (cont'd)

3.14 *New standards and interpretations not yet adopted (cont'd)*

SFRS(I) 17 *Insurance Contracts (cont'd)*

viii. Changes to presentation and disclosure

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

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

The portfolios referred to above are those established at initial recognition in accordance with the SFRS(I) 17 requirements.

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

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared to those disclosed under SFRS(I) 4. Under SFRS(I) 4 the Company reported the following line items in their financial statements:

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

In the adoption of SFRS(I) 17, the standard requires separate presentation of:

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

3. Significant accounting policies (cont'd)

3.14 *New standards and interpretations not yet adopted (cont'd)*

SFRS(I) 17 *Insurance Contracts (cont'd)*

viii. Changes to presentation and disclosure (cont'd)

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

4. Insurance and financial management objectives and policies

4.1 *Risk arising from insurance contracts*

Risk management policies implemented by the Company are designed to ensure that the risk of losses arising from claims in respect of the Company's insurance business is minimised. These are approved by the Board and are reviewed annually. The mitigation of risks arising from insurance is discussed below:

Underwriting risk

Underwriting risk include the risk of incurring higher claims 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 behavioral patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Company is exposed is credit risk in connection with its bond and guarantee underwriting activities. Management has established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collateral as security where considered necessary.

Pricing risk

The underwriting function carries out qualitative and quantitative risk assessments on all clients before deciding on the risk acceptance. Policies in riskier segments or markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

Concentration risk

Concentration limits are set to avoid heavy concentration within a specific industry. Maximum limits are set on each guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry and client limits. The client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Company.

The main exposures of the Company's bond and guarantee insurance contracts are to the property and construction sectors. The Company's concentration of risk relates mainly to customers in Singapore.

4. Insurance and financial management objectives and policies (cont'd)

4.1 *Risk arising from insurance contracts (cont'd)*

Reinsurance outwards

The Company participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings and reviewed by the Board. Under the treaties, the Company undertakes to cede to its reinsurers between 80% to 92.5% of its total written premium as well as the same proportion of corresponding losses for 2021. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Asset-liability management ("ALM")

The ALM policy is designed to ensure financial assets are managed with maturity profile that matches the projected cash-flows for the Company's liabilities. In addition, the Company maintains at least 30% of claims liability in cash and cash equivalents to meet claims settlements as and when they arise.

4.2 *Financial risks*

The Company is also exposed to various risks arising from the Company's financial instruments, which are mitigated by risk management policies in place as discussed below:

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties. At the reporting date, there are no significant concentrations of credit risk.

(a) Exposure to credit risk for insurance receivables

The carrying amount of financial assets represents the maximum credit exposure.

The ageing of past due and impaired insurance receivables at the reporting date are as follows:

	2022	**2021**
	S$	S$
Insurance receivables		
91 to 180 days	3,805	143,194
More than 180 days	409,074	108,756
	412,879	251,950

Analyses of receivables that were not past due and not impaired at the reporting date are as follows:

	2022	**2021**
	S$	S$
Insurance receivables		
Acceptable risks (Up to 90 days)	422,036	284,237

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Credit risk (cont'd)

(b) Concentration of credit risk for investments

The Company monitors concentration of credit risk by sectors. An analysis of concentrations of credit risk of investments at the reporting date is shown below:

	2022 S$	2021 S$
Services	748,906	3,256,558
Property	6,391,585	6,968,366
Financial services	7,637,986	5,535,660
Others	5,661,612	4,024,755
Total investments in debt securities	20,440,089	19,785,339

(c) Exposure to credit risk for debt securities

The Company invests in debt securities and limits its exposure by only investing in debt securities issued by corporates and financial institutions that are deemed to be of reasonable credit quality. As at 31 December 2022, substantially all of these corporates and financial institutions or their respective holding companies are listed on stock exchanges in Singapore or elsewhere. The Company monitors credit risk on an on-going basis.

Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecast, or the unavailability of additional financing.

The Company does not expect any counterparty to fail to meet their obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits its exposure to credit risk on investments held by investing only in liquid debt securities that provide attractive long-term yield and at acceptable credit quality. The aim is to provide a stable stream of positive income on the respective investment. Management does not expect any counterparty to fail to meet its obligations.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's or equivalents for each credit rating.

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Credit risk (cont'd)

(c) Exposure to credit risk for debt securities (cont'd)

The following table presents an analysis of the credit quality of debt investments at amortised cost and FVTPL. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	2022				2021			
		Amortised cost				Amortised cost		
Credit rating	**FVTPL** S$	**12 month ECL** S$	**Lifetime ECL-not credit-impaired** S$	**Lifetime ECL-credit impaired** S$	**FVTPL** S$	**12 month ECL** S$	**Lifetime ECL-not credit-impaired** S$	**Lifetime ECL-credit impaired** S$
BBB- to AAA	4,428,535	16,050,587	–	–	5,252,250	14,567,057	–	–
BB- to BB+	–	–	–	–	–	–	–	–
B- to B+	–	–	–	–	–	–	–	–
C to CCC+	–	–	–	–	–	–	–	–
D	–	–	–	–	–	–	–	–
Not rated	–	–	–	2,000,000	–	–	2,000,000	–
Gross carrying amounts	4,428,535	16,050,587	–	2,000,000	5,252,250	14,567,057	2,000,000	–
Loss allowance	–	(32,926)	–	(2,000,000)	–	(12,601)	(2,000,000)	–
Amortisation	–	(6,107)	–	–	–	(21,367)	–	–
Carrying amount	4,428,535	16,011,554	–	–	5,252,250	14,533,089	–	–

An impairment loss of S$2,032,926 (2021: S$2,012,601) in respect of debt investments at amortised cost was recognised because of expected credit loss and significant financial difficulties being experienced by the issuers. The Company has no collateral in respect of these investments.

4. Insurance and financial management objectives and policies (cont'd)

4.2 ***Financial risks (cont'd)***

Interest rate risk

The Company's exposure to changes in interest rates relate primarily to interest-earning financial assets. Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. However, the Company does not hedge against such exposures.

As the Company does not hold variable financial assets, the Company has no significant exposure to interest rate risk at the reporting date.

Currency risk

The Company is exposed to foreign currency risk on insurance and other receivables, cash and bank deposits and other financial assets that are denominated in a currency other than Singapore Dollars. There are no other major currencies giving rise to currency risk apart from the United States Dollars ("USD"). The Company does not use derivative financial instruments to hedge its foreign currency risk.

The Company's exposures to foreign currencies are as follows:

	USD S$
31 December 2022	
Other financial assets	1,634,690
Insurance receivables	–
Cash and bank deposits	1,931
	1,636,621
31 December 2021	
Other financial assets	2,097,306
Insurance receivables	–
Cash and bank deposits	257,779
	2,355,085

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Currency risk (cont'd)

	HKD S$
31 December 2022	
Other financial assets	25,773
Insurance receivables	–
Cash and bank deposits	–
	25,773
31 December 2021	
Other financial assets	–
Insurance receivables	–
Cash and bank deposits	–
	–

Sensitivity analysis

In managing its currency risk, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the long term, however, any prolonged adverse changes in foreign exchange would have an impact on the Company's earnings.

It is estimated that a general increase of ten percentage point in value of the Singapore dollars against the Company's foreign currencies exposure would decrease the Company's profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Loss before tax Decrease/(increase) S$
31 December 2022	
USD (10% strengthening)	163,662
USD (10% weakening)	(163,662)
HKD (10% strengthening)	2,577
HKD (10% weakening)	(2,577)
31 December 2021	
USD (10% strengthening)	235,509
USD (10% weakening)	(235,509)
HKD (10% strengthening)	–
HKD (10% weakening)	–

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Sensitivity analysis (cont'd)

In managing its equity price risk, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the long term, however, any prolonged adverse changes in equity price would have an impact on the Company's earnings.

In terms of equity investments, it is estimated that a general increase/decrease of five percent in share price would decrease/increase the Company's loss before tax and equity by approximately S$256,312 (2021: S$230,533).

Counterparty and concentration risks

For investments in debt securities, the Company invests primarily in securities issued by the Singapore Government, Statutory Boards and high-grade corporate bonds. The Company's investment activity is outsourced to an affiliated company in Singapore. The Company has put in place investment, counter-party and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

Liquidity risk

Liquidity risk is the risk due to insufficient funds to meet contractual and business obligations in a timely manner. The Company manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities consisting of insurance payables and other payables and accruals (excluding GST payables, net) are the same as their carrying amounts and are due within one year except for insurance contract provisions, which the analysis of the estimated timing of cash flows is shown in Note 12(c).

Equity price risk

Equity price risk arises from equity securities held. The mix of equities in within a pre-approved percentage of the overall investment. The Company's investment activity is outsourced to an affiliated company in Singapore. The investment within the equities portfolio is managed by the appointed fund manager.

The investment objective is to achieve long-term growth of capital with capital preservation. In accordance with this strategy, equity investments are measured at FVTPL because they are not held for trading and at initial recognition, the Company did not make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the equity investments.

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Accounting classification and fair values

The aggregate carrying amount of financial assets and financial liabilities in the statement of financial position as at 31 December are represented in the following table:

	Mandatorily at fair value S$	**Amortised cost** S$	**Other financial liabilities not at fair value** S$	**Total** S$
31 December 2022				
Equity investments - mandatorily at FVTPL				
- Quoted	4,126,242			4,126,242
- Unquoted	1,000,000	–	–	1,000,000
Debt investments - at amortised cost	–	16,011,554	–	16,011,554
Debt investments - mandatorily at FVTPL	4,428,535	–	–	4,428,535
Insurance receivables	–	834,915	–	834,915
Deposits and other receivables	–	204,632	–	204,632
Cash and bank deposits	–	3,056,327	–	3,056,327
Insurance payables	–	–	(2,504,056)	(2,504,056)
Other payables and accruals*	–	–	(658,657)	(658,657)
	9,554,777	20,107,428	(3,162,713)	26,499,492
31 December 2021				
Equity investments - mandatorily at FVTPL				
- Quoted	4,610,454	–	–	4,610,454
Debt investments - at amortised cost	–	14,533,089	–	14,533,089
Debt investments - mandatorily at FVTPL	5,252,250	–	–	5,252,250
Insurance receivables	–	536,187	–	536,187
Deposits and other receivables	–	181,938	–	181,938
Cash and bank deposits	–	8,229,059	–	8,229,059
Insurance payables	–	–	(4,006,352)	(4,006,352)
Other payables and accruals*	–	–	(845,224)	(845,224)
	9,862,704	23,480,272	(4,851,576)	28,491,400

* Excludes GST payables, net of S$60,166 (2021: S$16,231)

4. Insurance and financial management objectives and policies (cont'd)

4.2 *Financial risks (cont'd)*

Recognise financial assets

The carrying amounts of debt investments and other financial assets on amortised cost basis are approximate to their fair values at the reporting date.

4.3 *Claims development table*

Claim development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Company's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimated cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the provision for insurance claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a net basis after accounting for reinsurance and grossed up based on historical incurred net-to-gross loss experience as well as expected. There is no significant change in the approach adopted by the certifying actuary.

The claims information for the accident years below is based on the following:

Accident year:

2016 and prior	-	12 months ended 31 December 2016 and prior
2017	-	12 months ended 31 December 2017
2018	-	12 months ended 31 December 2018
2019	-	12 months ended 31 December 2019
2020	-	12 months ended 31 December 2020
2021	-	12 months ended 31 December 2021
2022	-	12 months ended 31 December 2022

4. Insurance and financial management objectives and policies (cont'd)

4.3 *Claims development table (cont'd)*

(a) *Analysis of claims development - gross of reinsurance basis*

Total business

Gross loss development tables as at 31 December 2022:

Unit: $'000s

Estimate of cumulative claims Accident year	**2016 and prior**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	67,469	13,819	10,488	7,495	23,951	4,141	4,449	
One year later	31,567	14,105	9,868	6,422	23,461	3,349		
Two years later	28,057	14,188	9,703	5,343	20,486			
Three years later	26,034	13,632	8,658	4,848				
Four years later	24,848	13,276	8,479					
Five years later	24,992	13,238						
Six years later	24,880							
Current estimate of ultimate claims	24,880	13,238	8,479	4,848	20,486	3,349	4,449	79,729
Cumulative payments	(24,607)	(13,137)	(8,386)	(4,418)	(19,865)	(2,310)	(1,790)	(74,513)
Gross estimate of outstanding claim liability	273	101	93	430	621	1,039	2,659	5,216
Unallocated loss adjustment expenses	17	7	6	27	42	69	186	354
Best estimate of gross outstanding claim liability								5,570
Provision for adverse deviation								803
Gross provision for insurance claims (Note 12(b))								6,373

4. Insurance and financial management objectives and policies (cont'd)

4.3 *Claims development table (cont'd)*

(a) *Analysis of claims development - gross of reinsurance basis (cont'd)*

Total business

Gross loss development tables as at 31 December 2021:

Unit: $'000s

Estimate of cumulative claims Accident year	**2015 and prior**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At end of accident year	55,820	11,649	13,819	10,488	7,495	23,951	4,141	
One year later	19,769	11,798	14,105	9,868	6,422	23,461		
Two years later	16,430	11,627	14,188	9,703	5,343			
Three years later	14,326	11,708	13,632	8,658				
Four years later	13,047	11,801	13,276					
Five years later	13,131	11,861						
Six years later	13,055							
Current estimate of ultimate claims	13,055	11,861	13,276	8,658	5,343	23,461	4,141	79,795
Cumulative payments	(13,048)	(11,465)	(12,945)	(8,244)	(4,117)	(19,779)	(1,450)	(71,048)
Gross estimate of outstanding claim liability	7	396	331	414	1,226	3,682	2,691	8,747
Unallocated loss adjustment expenses	–	22	17	23	72	129	156	419
Best estimate of gross outstanding claim liability								9,166
Provision for adverse deviation								1,289
Gross provision for insurance claims (Note 12(b))								10,455

4. Insurance and financial management objectives and policies (cont'd)

4.3 *Claims development table (cont'd)*

(b) *Analysis of claims development - net of reinsurance basis*

Total business

Net loss development tables as at 31 December 2022:

Unit: $'000s

Estimate of cumulative claims **Accident year**	**2016 and prior**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	33,016	10,701	7,516	6,032	9,030	3,437	4,034	
One year later	18,223	10,938	7,249	5,347	8,781	3,048		
Two years later	19,623	10,979	6,706	4,879	7,735			
Three years later	17,661	10,447	6,154	4,598				
Four years later	18,187	10,094	5,995					
Five years later	18,286	10,042						
Six years later	17,892							
Current estimate of ultimate claims	17,892	10,042	5,995	4,598	7,735	3,048	4,034	53,344
Cumulative payments	(17,633)	(9,941)	(5,903)	(4,219)	(7,254)	(2,308)	(1,787)	(49,045)
Net estimate of outstanding claim liability	259	101	92	379	481	740	2,247	4,299
Unallocated loss adjustment expenses	17	7	6	27	42	69	186	354
Best estimate of outstanding claim liability								4,653
Provision for adverse deviation								642
Net provision for insurance claims (Note 12(b))								5,295

4. Insurance and financial management objectives and policies (cont'd)

4.3 *Claims development table (cont'd)*

(b) *Analysis of claims development - net of reinsurance basis (cont'd)*

Total business

Net loss development tables as at 31 December 2021:

Unit: $'000s

Estimate of cumulative claims Accident year	**2015 and prior**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At end of accident year	25,134	7,882	10,701	7,516	6,032	9,030	3,437	
One year later	11,827	6,396	10,938	7,249	5,347	8,781		
Two years later	11,716	7,907	10,979	6,706	4,879			
Three years later	9,669	7,992	10,447	6,154				
Four years later	10,056	8,131	10,094					
Five years later	10,110	8,176						
Six years later	9,783							
Current estimate of ultimate claims	9,783	8,176	10,094	6,154	4,879	8,781	3,437	51,304
Cumulative payments	(9,777)	(7,793)	(9,796)	(5,761)	(3,922)	(7,040)	(1,449)	(45,538)
Net estimate of outstanding claim liability	6	383	298	393	957	1,741	1,988	5,766
Unallocated loss adjustment expenses	–	22	17	23	72	129	156	419
Best estimate of outstanding claim liability								6,185
Provision for adverse deviation								821
Net provision for insurance claims (Note 12(b))								7,006

5. Property, plant and equipment

	Office renovations S$	Furniture and fittings S$	Office equipment S$	Computer equipment S$	Total S$
Cost					
At 1 January 2021	100,718	13,702	69,953	312,092	496,465
Additions	–	–	809	2,940	3,749
Disposals	–	–	–	–	–
At 31 December 2021 and at 1 January 2022	100,718	13,702	70,762	315,032	500,214
Additions	–	2,046	–	1,960	4,006
Disposals	–	–	–	–	–
At 31 December 2022	100,718	15,748	70,762	316,992	504,220
Accumulated depreciation					
At 1 January 2021	48,555	13,692	68,286	266,184	396,717
Depreciation for the year	20,144	–	634	18,293	39,071
Disposals	–	–	–	–	–
At 31 December 2021 and at 1 January 2022	68,699	13,692	68,920	284,477	435,788
Depreciation for the year	20,143	512	782	17,701	39,138
Disposals	–	–	–	–	–
At 31 December 2022	88,842	14,204	69,702	302,178	474,926
Carrying amounts					
31 December 2021	32,019	10	1,842	30,555	64,426
31 December 2022	11,876	1,544	1,060	14,814	29,294

6. Intangible assets

	Computer software	
	2022	**2021**
	S$	S$
Cost		
At 1 January	2,025,477	2,080,862
Additions	–	4,615
Write off	–	(60,000)
At 31 December	2,025,477	2,025,477
Amortisation		
At 1 January	2,021,249	1,999,629
Amortisation for the year	1,538	21,620
At 31 December	2,022,787	2,021,249
Carrying amounts		
31 December	2,690	4,228

7. Other financial assets

	2022	**2021**
	S$	S$
Equity investments - mandatorily at FVTPL	5,126,242	4,610,454
Debt investments - mandatorily at FVTPL	4,428,535	5,252,250
Debt investments - at amortised cost	16,011,554	14,533,089
	25,566,331	24,395,793
Current	14,080,549	11,888,119
Non-current	11,485,782	12,507,674
	25,566,331	24,395,793

7. Other financial assets (cont'd)

The movements in the other financial assets during the year are as follows:

	2022 S$	2021 S$
At 1 January	24,395,793	27,628,722
Purchases	12,490,390	3,492,154
Proceeds from disposal	(10,811,592)	(6,365,626)
Equity securities – net loss on disposal	(5,342)	(3,450)
Debt securities – net (loss)/gain on disposal	(6,016)	2,111
Amortisation	19,241	(25,985)
Net unrealised (loss)/gain on foreign exchange	(481,742)	19,267
Net unrealised (loss)/gain in fair value change	(14,077)	53,847
Expected credit loss	(20,324)	(405,247)
At 31 December	25,566,331	24,395,793

The weighted average effective interest rates per annum of debt securities at the reporting date and the periods in which they mature are as follows:

	Effective interest rate %	Within 1 year S$	Over 1 year S$	Total S$
2022				
Debt securities - at amortised cost	2.54	4,525,772	11,485,782	16,011,554
Debt securities - mandatorily at FVTPL	4.20	4,428,535	–	4,428,535
		8,954,307	11,485,782	20,440,089
2021				
Debt securities - at amortised cost	2.87	2,025,415	12,507,674	14,533,089
Debt securities - mandatorily at FVTPL	4.29	5,252,250	–	5,252,250
		7,277,665	12,507,674	19,785,339

The maximum exposure to credit risk of the debt securities at the reporting date is the carrying amount.

7. Other financial assets (cont'd)

Fair values

The aggregate net fair values of financial assets which are not carried at fair value in the statement of financial position as at 31 December are represented in the following table:

	2022		2021	
	Carrying amount S$	Fair value S$	Carrying amount S$	Fair value S$
Financial assets				
Debt securities	16,011,554	15,482,072	14,533,089	14,763,154

Fair value hierarchy

The carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The different levels have been defined as follows:

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

		Fair value			
	Carrying amount S$	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
2022					
Financial assets measured at fair value					
Debt investments - mandatorily at FVTPL	4,428,535	4,428,535	–	–	4,428,535
Equity investments - mandatorily at FVTPL	5,126,242	4,126,242	–	1,000,000	5,126,242
	9,554,777	8,554,777	–	1,000,000	9,554,777
Financial assets not measured at fair value					
Debt investments - at amortised cost	16,011,554	15,292,072	190,000	–	15,482,072

7. Other financial assets (cont'd)

Fair value hierarchy (cont'd)

	Carrying amount S$	Fair value Level 1 S$	Fair value Level 2 S$	Fair value Level 3 S$	Fair value Total S$
2021					
Financial assets measured at fair value					
Debt investments - mandatorily at FVTPL	5,252,250	5,252,250	–	–	5,252,250
Equity investments - mandatorily at FVTPL	4,610,454	4,610,454	–	–	4,610,454
	9,862,704	9,862,704	–	–	9,862,704
Financial assets not measured at fair value					
Debt investments - at amortised cost	14,533,089	14,558,154	205,000	–	14,763,154

During the current financial year, there have been no transfers between the different levels of fair value hierarchy (2021: no transfers).

8. Insurance receivables

	2022 S$	**2021** S$
Receivables arising from insurance contracts	732,008	672,422
Allowance for impairment loss on receivables arising from insurance contracts	(161,462)	(246,687)
	570,546	425,735
Receivables arising from reinsurance contracts	264,369	110,452
	834,915	536,187

Amounts that are trade related are unsecured, non-interest bearing and subject to normal trade terms of generally 30 to 45 days' term and represent their fair value due to the short-term nature of these balances.

8. Insurance receivables (cont'd)

Impairment losses

The movements in allowance for impairment loss of insurance receivables during the year are as follows:

	2022 S$	2021 S$
At 1 January	246,687	276,393
Net reversal of impairment loss on receivables during the year	(85,225)	(29,706)
At 31 December	161,462	246,687

9. Deposits, prepayments and other receivables

	2022 S$	2021 S$
Deposits	5,270	5,270
Other receivables	28,880	11,840
Accrued interest receivable	170,482	164,828
Deposits and other receivables	204,632	181,938
Prepayments	68,297	59,764
	272,929	241,702

10. Cash and bank deposits

	2022 S$	2021 S$
Cash at bank	1,397,931	1,455,846
Fixed deposits	802,125	4,963,620
Cash with Phillips Securities	856,271	1,809,593
Cash and bank deposits included in the balance sheet which approximate fair value	3,056,327	8,229,059
Deposit held on behalf of policyholder in respect of insurance business (Note 13)	(802,125)	(2,563,275)
Cash and cash equivalents included in statement of cash flows	2,254,202	5,665,784

The weighted average effective interest rate per annum relating to cash and bank deposits at the reporting date is 2.34% (2021: 0.17%). Interest rates reprice at intervals between one to six months (2021: one to six months).

Cash and bank deposits are generally placed on short-term maturities of up to a year and as such, they are all considered as current assets.

11. Banker's guarantee facility

The Company entered a Banker's Guarantee facility of up to S$6,000,000 (2021: S$6,000,000) with a financial institution for its insurance business. The facility is secured by fresh continuing corporate guarantee for S$6,000,000 by IFS Capital Limited. The Banker's Guarantee is for the issuance for performance/security/tender guarantee in lieu of cash deposit on behalf of its customers.

12. Insurance contract provisions

	2022 S$	**2021** S$
Gross		
Provision for unexpired risks	4,063,181	4,212,443
Provision for insurance claims	6,372,624	10,455,164
	10,435,805	14,667,607
Reinsurance		
Provision for unexpired risks	297,208	576,063
Provision for insurance claims	1,077,924	3,449,570
	1,375,132	4,025,633
Net		
Provision for unexpired risks	3,765,973	3,636,380
Provision for insurance claims	5,294,700	7,005,594
	9,060,673	10,641,974

(a) ***Analysis of movements in provision for unexpired risks***

		2022			**2021**	
	Gross S$	**Reinsurance** S$	**Net** S$	**Gross** S$	**Reinsurance** S$	**Net** S$
Unexpired risks:						
At 1 January	4,212,443	(576,063)	3,636,380	5,985,979	(782,224)	5,203,755
Premium written for the year	6,837,049	(1,331,373)	5,505,676	4,497,525	(662,763)	3,834,762
Premium earned for the year	(6,986,311)	1,610,228	(5,376,083)	(6,271,061)	868,924	(5,402,137)
At 31 December	4,063,181	(297,208)	3,765,973	4,212,443	(576,063)	3,636,380

12. Insurance contract provisions (cont'd)

(b) *Analysis of movements in provision for insurance claims*

	2022 Gross S$	2022 Reinsurance S$	2022 Net S$	2021 Gross S$	2021 Reinsurance S$	2021 Net S$
Insurance claims						
At 1 January	10,455,164	(3,449,570)	7,005,594	14,107,923	(4,205,890)	9,902,033
Claims (paid)/ recovered for the year	(3,464,530)	(39,675)	(3,504,205)	(4,386,156)	284	(4,385,872)
Claims incurred/ (reversed) for the year	(618,010)	2,411,321	1,793,311	733,397	756,036	1,489,433
At 31 December	6,372,624	(1,077,924)	5,294,700	10,455,164	(3,449,570)	7,005,594

(c) *Analysis of the estimated timing of cash outflows (undiscounted) relating to net provision for insurance claims*

	2022 S$	2021 S$
Less than 1 year	3,617,954	3,944,817
Between 1 to 5 years	1,656,309	3,056,726
More than 5 years	20,437	4,051
	5,294,700	7,005,594

13. Insurance payables

	2022 S$	2021 S$
Payables arising from insurance contracts	401,648	505,021
Cash collateral placed by policyholder	802,125	2,563,275
Payables arising from reinsurance contracts	1,300,283	938,056
	2,504,056	4,006,352

The carrying amounts of trade payables approximate their fair values due to the short-term nature of these balances. Trade payables are unsecured, non-interest bearing and subject to normal trade terms of generally 30 to 90 days' term and represent their fair value due to the short-term nature of these balances.

14. Other payables and accruals

	2022 S$	2021 S$
Accrued operating expenses	181,354	187,029
Accrued employee benefits	325,378	291,812
Amounts due to holding company (non-trade)	23,241	50,114
Amounts due to related company (non-trade)	15,379	–
Other payables	113,305	316,269
	658,657	845,224
GST payables, net	60,166	16,231
	718,823	861,455

The amounts due to the holding company and related company (non-trade) are unsecured, interest-free and repayable on demand and are considered as current liabilities.

15. Share capital

	2022		2021	
	No of shares	S$	No of shares	S$
Issued and fully paid, with no par value:				
At 1 January and 31 December	45,000,000	45,000,000	45,000,000	45,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Capital management

The Company defines "capital" to be share capital and retained earnings/accumulated losses. The Company's policy is to maintain a strong capital base so as to maintain shareholders, regulators, reinsurers and market confidence, and to sustain future business development as well as to ensure that the minimum required capital is maintained.

The Company's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth and to pursue strategic business and investment opportunities while taking into consideration the Company's risk appetite.

The minimum paid up share capital required for the insurance business as stipulated by the local regulator is S$25 million. The Company has to comply with the Risk Based Capital Adequacy Requirement ("CAR") as prescribed by the Monetary Authority of Singapore ("MAS") (subject to the financial resource of the Company not being less than $5 million). Although MAS prescribed financial warning event for the CAR, Company has set two higher internal trigger limits for monitoring the CAR. In the event of any breaches of the internal trigger limits, the Board has prescribed certain courses of action for the management to undertake to bring the CAR level to above the prescribed minimum levels. The Company is in compliance with all internally and externally imposed capital requirements during the year.

15. Share capital (cont'd)

Capital management (cont'd)

The Company manages and ensure adequacy of its capital resources requirement in accordance with the computation of risk charge on insurance risk, investment risks and interest rate sensitivity and foreign currency mismatch between assets and liabilities and concentration risks as stipulated under the Insurance (Valuation and Capital) (Amendment) Regulations 2020.

In addition, stress tests are conducted to understand the sensitivity of the key assumptions in the Company's capital to the effects of plausible stress scenarios and evaluate how the Company can continue to maintain adequate capital under such scenarios.

The Board of Directors monitors the return on equity, which the Company defines as profit after tax divided by the total average shareholders' equity.

In addition, as part of the corporate planning process, the Company projects its capital and funding requirements annually for the Board's approval.

There were no changes in the Company's approach to capital management during the year.

Dividend

There was no exempt (one-tier) dividend declared and paid by the Company this year and last year.

16. Investment income

	2022 S$	**2021** S$
Net (loss)/gain on foreign exchange	(14,077)	53,847
Dividend income	181,737	165,434
Net (loss)/gain on disposal of investments:		
- Equity securities - mandatorily at FVTPL	(5,342)	(3,450)
- Debt securities - mandatorily at FVTPL	(6,016)	2,111
Interest income under the effective interest method:		
- Cash and bank deposits	3,672	21,714
- Debt securities mandatorily measured at FVTPL	203,282	212,904
- Debt securities - at amortised cost	431,806	485,463
Impairment loss on debt securities measured at amortised cost	(20,324)	(405,247)
Amortisation of debt securities measured at amortised cost	19,241	(25,985)
Net change in fair value of debt securities mandatorily measured at FVTPL	(325,598)	(74,122)
Net change in fair value of equity securities mandatorily measured at FVTPL	(156,144)	93,389
	312,237	526,058

17. Loss for the year

The following items have been included in arriving at loss for the year:

	2022 S$	2021 S$
Government grants	153,540	81,270
Staff costs	(2,173,645)	(2,206,718)
Contributions to defined contribution plans	(255,406)	(280,247)
Management fees	(397,391)	(394,128)

18. Income tax

	2022	2021
Income tax expenses	–	–

Reconciliation of effective tax rate

	2022	2021
Loss before income tax	(482,680)	(410,459)
Income tax at domestic corporate tax rate of 17% (2021: 17%)	(82,056)	(69,778)
Non-deductible expenses	7,136	104,032
Tax exempt income	–	–
Utilisation of capital allowances	–	(34,254)
Change in unrecognised temporary differences	74,920	–
	–	–

19. Deferred tax assets

Deferred tax assets are mainly attributable to unutilised business losses from preceding financial years.

Movement in deferred tax balances

	At 1 January S$	Recognised in profit or loss (Note 17) S$	Recognised in other comprehensive income S$	At 31 December S$
2022				
Deferred tax assets				
Property, plant and equipment	(105,316)	–	–	(105,316)
Unutilised business losses	(398,551)	–	–	(398,551)
	(503,867)	–	–	(503,867)
2021				
Deferred tax assets				
Property, plant and equipment	(105,316)	–	–	(105,316)
Unutilised business losses	(398,551)	–	–	(398,551)
	(503,867)	–	–	(503,867)

Unrecognised deferred tax asset

Deferred tax assets have not been recognised during the year, because it is not probable that future taxable profit will be available against which the Company can use the benefit therefrom.

	2022 S$	2021 S$
Unutilised tax losses	20,023,186	19,515,731

20. Accounting judgements and estimates

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

Critical accounting judgements

Debt Securities - held at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, existing market conditions, as well as forward looking estimates at the end of each reporting period. The Company uses 12-month and lifetime probabilities of default based on data from Moody's or its equivalents for each credit rating.

Significant accounting estimates

Provisions for unexpired risks and insurance claims

Provisions for unexpired risks and insurance claims as at 31 December 2022 have been assessed by the certifying actuary (JPWALL Consulting Partners (Singapore) Pte. Ltd.) in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

Users of these financial statements should take note of the following:

(a) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Company by the certifying actuary for the financial year ended 31 December 2022. The sensitivity analysis is subject to the reliance that the certifying actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;

(b) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and

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

20. Accounting judgements and estimates (cont'd)

Provision for unexpired risks - sensitivity analysis

The provision for unexpired risks is the higher of:

(a) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and

(b) Unearned premium reserves.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

	Net S$'000	**Gross** S$'000
2022		
Estimated provision for unexpired risks under the base scenario	3,766	4,063
2021		
Estimated provision for unexpired risks under the base scenario	3,636	4,212

Provision for adverse deviation

The actuary has assumed the range of unexpired premium PAD of 18% to 41% (2021: 23% to 42%) under the base scenario. If the assumed PAD is increased or decreased by 2% (2021: 2%), the resulting provision will be as follows:

	Net		**Gross**	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for unexpired risks	3,814	3,718	4,108	4,063
2021				
Provision for unexpired risks	3,678	3,594	4,265	4,159

20. Accounting judgements and estimates (cont'd)

Provision for unexpired risks - sensitivity analysis (cont'd)

Ultimate loss ratio

The actuary has presumed the range of Ultimate Loss Ratio ("ULR") of 8% to 82% (2021: 9% to 154%) under the base scenario. If the assumed ULR increased or decreased by 2% (2021: 2%), the resulting provision will be as follows:

	Net		Gross	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for unexpired risks	3,854	3,678	4,160	4,063
2021				
Provision for unexpired risks	3,718	3,554	4,302	4,122

Management Expense Rate ("MER")

Allowance for MER relates to the costs of administering unexpired policies for which the company is at risk. MER is computed based on 5% (2021: 12.4%) of the Company's unearned premium reserves for all classes of business. The effects of increasing and reducing MER by 2% (2021: 2%) are presented below:

	Net		Gross	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for unexpired risks	3,831	3,701	4,117	4,063
2021				
Provision for unexpired risks	3,695	3,577	4,271	4,153

20. Accounting judgements and estimates (cont'd)

Provision for insurance claims - sensitivity analysis

Process of establishing provision for insurance claims

For short term credit insurance contracts, the Company sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

The Company closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Company be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Company engages an approved actuary to assess the adequacy of the Company's provision for insurance claims on an annual basis.

The reserving methodology and assumptions used by the approved actuary, which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs.

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A PAD is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs. An allowance for future management expenses and claim handling costs is made.

20. Accounting judgements and estimates (cont'd)

Provision for insurance claims - sensitivity analysis (cont'd)

Process of establishing provision for insurance claims (cont'd)

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

	Net S$'000	**Gross** S$'000
2022		
Estimated provision for insurance claims under the base scenario	5,295	6,373
2021		
Estimated provision for insurance claims under the base scenario	7,006	10,455

Provision for adverse deviation

Provision for insurance claims also includes a PAD which will provide a 75% probability of adequacy for the provision for insurance claims.

The actuary has assumed the range of claim PAD of 14% to 23% (2021: 14% to 24%) under the base scenario. Increasing or decreasing the PAD by 2% (2021: 2%) results in changes in provision as follows:

	Net		**Gross**	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for insurance claims	5,374	5,216	6,468	6,278
2021				
Provision for insurance claims	7,111	6,901	10,611	10,299

20. Accounting judgements and estimates (cont'd)

Provision for insurance claims - sensitivity analysis (cont'd)

Ultimate loss ratio

The actuary has presumed the range of Ultimate Loss Ratio ("ULR") of 0% to 82% (2021: 0% to 140%) under the base scenario. If the assumed ULR increased or decreased by 2% (2021: 2%), the resulting provision will be as follows:

	Net		Gross	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for insurance claims	5,429	5,161	6,528	6,218
2021				
Provision for insurance claims	7,124	6,888	10,592	10,318

Claim handling expenses

Allowance for claims handling expenses relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 13.5% (2021: 11.4%) of incurred-but-not-reported claims and 13.5% (2021: 11.4%) of half of the case reserve assuming that half of the CHE is expended when a loss is reported and half when it is paid.

The effects of varying CHE by 2% (2021: 2%) (both upwards and downwards) are presented below:

	Net		Gross	
	High (+2%) S$'000	**Low (-2%)** S$'000	**High (+2%)** S$'000	**Low (-2%)** S$'000
2022				
Provision for insurance claims	5,355	5,235	6,433	6,313
2021				
Provision for insurance claims	7,089	6,923	10,583	10,372

21. Related parties

Transactions with key management personnel

Key management personnel compensation

Key management personnel of the Company are persons having the authority and responsibility for planning, directing and controlling the activities of the Company. Certain directors and head of departments are considered as key management personnel of the Company.

	2022 S$	**2021** S$
Short-term employee benefits	783,988	797,000
Contributions to defined contribution plan	74,332	75,000
	858,320	872,000

Other related party transactions

During the financial year, apart from the balances and transactions disclosed elsewhere in these financial statements, the Company had the following significant transactions with its related parties:

	2022 S$	**2021** S$
Immediate holding company		
Management fees	(382,012)	(394,128)
Gross written premiums	(20,646)	(21,459)
Related company		
Management fees	(15,379)	–
Gross written premiums	(11,486)	(2,441)

	2022 S$	**2021** S$
Affiliated companies		
Fees paid to fund manager	(96,864)	(97,346)
General insurance commission	(115,775)	(33,919)
Brokerage fees incurred	(4,771)	(1,097)
Annual maintenance costs	(13,125)	–

For the directors of the Company who are also employees of the related parties, the Company does not reimburse the respective entities for the services rendered by those directors.

An affiliated company is a company, other than a related corporation, in which the directors and/or shareholder of the Company have substantial financial interests and may be able to exercise significant influence over the Company. All transactions with affiliated companies are therefore related party transactions carried out on terms agreed between the Company and such parties.

22. Comparative figures

The financial statements for the financial year ended 31 December 2021 were audited by another firm of Charted and Public Accountants.

23. Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 December 2022 were authorised for issue on 30 March 2023.