Enabling a more resilient future

2022 Annual Report

QBE INSURANCE (SINGAPORE) PTE LTD

QBE INSURANCE (SINGAPORE) PTE. LTD.

(Incorporated in Singapore. Registration Number: 198401363C)

ANNUAL REPORT

For the financial year ended 31 December 2022

QBE INSURANCE (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 December 2022

Contents

INTRODUCTION

About Us

Present in Singapore for more than a century, QBE Insurance (Singapore) Pte Ltd ("the Company"), a general and reinsurance company, is the republic's oldest registered Australian company.

Established in 1891, the Company is a trusted provider of specialist expertise and professional insurance services. Our insurance specialists develop leading-edge products that are client-focused, delivering cover tailored to deal with everything from complex risks to more simple and straightforward insurance needs.

QBE Insurance (Singapore) Pte Ltd is a member of the QBE Insurance Group which is listed on the Australian Securities Exchange and headquartered in Sydney.

The Company is incorporated and domiciled in Singapore. The address of the registered office is 1 Wallich Street, #35-01, Guoco Tower, Singapore 078881.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

Vision: To be the most consistent and innovative risk partner

At QBE, we're striving for greater consistency across everything we do. Our aim is to do things more consistently than our competitors, whether it's in the experience we provide our customers and partners, the performance of our business or the values that connect our people.

Innovation represents our focus on continuous improvement and growth. This includes developing new and innovative products and experiences and continually evolving to make it easier to do business with us.

We believe being the most consistent and innovative risk partner will see us build the strongest partnerships with customers and partners but, importantly, it will also see us deliver more value.

QBE INSURANCE (SINGAPORE) PTE. LTD.

(Incorporated in Singapore. Registration Number: 198401363C)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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DIRECTORS' STATEMENT
For the financial year ended 31 December 2022

The directors present their statement to the member together with the audited financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2022.

In the opinion of the directors,

(a) the financial statements as set out on pages 8 to 61 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 covered by the financial statements; 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:

Ronak Akhil Shah
Arunothayam A/P V Rajaratnam
Jason Andrew Hammond
Tay Siang Leng
Michael William Gourlay

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Directors' interests in shares or debentures (continued)

	Holdings registered in name of director			
	Ordinary shares of A$1 each		No. of share options	
	At 31.12.2022	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**	At 1.1.2022 or date of appointment, if later
Ultimate Holding Corporation - QBE Insurance Group Limited				
Jason Andrew Hammond	318	-	-	-
Ronak Akhil Shah	7,354	5,223	-	-
Tay Siang Leng	36	-	-	-

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Ronak Shah

RONAK AKHIL SHAH
Director

Jason Hammond

JASON ANDREW HAMMOND
Director

28 March 2023

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:
- the statement of comprehensive income for the year ended 31 December 2022;
- the balance sheet as at 31 December 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

PricewaterhouseCoopers llp

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants Singapore,
28 March 2023

QBE INSURANCE (SINGAPORE) PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	**2022 S$'000**	2021 S$'000
Gross premium written	13(b)	**260,894**	243,392
Outward reinsurance premiums		**(146,407)**	(144,417)
Net premium written	13(b)	**114,487**	98,975
Change in net unearned premium reserves	13(e)(i)	**(8,596)**	(5,978)
Net earned premium		**105,891**	92,997
Investment income	6(a)	**2,186**	274
Commission income		**43,530**	41,049
Other income	6(b)	**1,681**	2,341
		47,397	43,664
Gross claims paid		**(76,237)**	(94,823)
Reinsurer's share of claims paid		**40,085**	55,481
Change in gross claims reserve	13(e)(ii)	**(35,305)**	(12,192)
Reinsurer's share of change in claims reserve	13(e)(ii)	**25,621**	7,450
Net claims incurred		**(45,836)**	(44,084)
Investment expenses	6(a)	**(277)**	(278)
Commission expenses		**(49,253)**	(43,217)
Management expenses	4	**(46,982)**	(46,155)
Total expenses		**(96,512)**	(89,650)
Profit before tax		**10,940**	2,927
Income tax expense	7	**(1,024)**	(602)
Profit after tax		**9,916**	2,325
Total comprehensive income for the year		**9,916**	2,325

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

QBE INSURANCE (SINGAPORE) PTE. LTD.

BALANCE SHEET
As at 31 December 2022

	Note	**2022 S$'000**	2021 S$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**23,374**	35,040
Trade and other receivables	9	**86,134**	107,875
Other assets	10	**1,775**	1,669
Financial assets, at fair value through profit or loss	11	**320,059**	252,404
Derivative financial assets	12	**5,670**	487
Reinsurer's share of unearned premium reserves	13(d)	**22,335**	23,412
Reinsurer's share of claims reserves	13(d)	**126,063**	85,844
Total current assets		**585,410**	506,731
Non-current assets			
Property, plant and equipment	14	**11,787**	15,212
Intangible assets	15	**3,934**	3,984
Reinsurer's share of unearned premium reserves	13(d)	**5,838**	7,146
Reinsurer's share of claims reserves	13(d)	**45,509**	60,107
Total non-current assets		**67,068**	86,449
Total assets		**652,478**	593,180
LIABILITIES			
Current liabilities			
Trade and other payables	16	**71,552**	61,693
Tax payable	7(b)	**1,119**	407
Derivative financial liabilities	12	**1,059**	87
Unearned premium reserves	13(d)	**101,045**	86,175
Outstanding claims reserves	13(d)	**203,667**	142,396
Total current liabilities		**378,442**	290,758
Non-current liabilities			
Trade and other payables	16	**8,136**	12,173
Unearned premium reserves	13(d)	**26,409**	35,068
Outstanding claims reserves	13(d)	**76,071**	102,037
Deferred tax liabilities	17	**751**	841
Other liabilities		**1,249**	799
Total non-current assets		**112,616**	150,918
Total liabilities		**491,058**	441,676
NET ASSETS		**161,420**	151,504
EQUITY			
Share capital	18	**135,001**	135,001
Retained profits		**26,419**	16,503
Total Equity		**161,420**	151,504

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

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2022

	Note	Share capital $'000	Retained profits $'000	Total Equity $'000
2022				
Beginning of financial year		135,001	16,503	151,504
Total comprehensive income		-	9,916	9,916
End of financial year		**135,001**	**26,419**	**161,420**
2021				
Beginning of financial year		135,001	14,178	149,179
Total comprehensive income		-	2,325	2,325
End of financial year		**135,001**	**16,503**	**151,504**

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

QBE INSURANCE (SINGAPORE) PTE. LTD.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit before tax		**10,940**	2,927
Adjustments for:			
- Change in contingency reserves		**450**	475
- Depreciation of property, plant and equipment		**3,594**	3,626
- Amortisation of intangible assets		**2,072**	2,187
- Net realised loss from sale of financial assets, at fair value through profit or loss		**1,181**	1,796
- Net unrealised loss on financial assets, at fair value through profit or loss		**1,382**	474
- Interest income		**(2,946)**	(3,829)
- Allowance for impairment loss on trade receivables		**1,185**	56
- Bad debts written off on trade receivables		**96**	323
- Unrealised (gain)/loss on derivative financial instruments		**(4,211)**	378
- Realised loss/(gain) on derivative financial instruments		**2,408**	907
- Net unearned premium reserves		**8,596**	5,978
- Net outstanding claims reserves		**9,684**	4,742
- Lease interest expense		**148**	183
		34,579	20,223
Change in working capital			
- Trade and other receivables		**19,742**	(3,033)
- Trade and other payables		**9,622**	(8,294)
Cash used in operations		**63,943**	8,896
- Income tax paid		**(402)**	(915)
Net cash provided by operating activities		**63,541**	7,981
Cash flows from investing activities			
Purchase of financial assets, at fair value through profit or loss		**(535,617)**	(445,256)
Proceeds from maturity and sale of financial assets, at fair value through profit or loss		**462,754**	459,366
Purchase of property, plant and equipment		**(169)**	(123)
Purchase of intangible assets		**(2,022)**	(2,463)
Interest received		**3,558**	3,578
Net cash (used in)/provided by investing activities		**(71,496)**	15,102
Cash flows from financing activities			
Principal repayment of lease liabilities		**(3,800)**	(1,608)
Interest payment of lease liabilities		**(148)**	(183)
Net cash used in financing activities		**(3,948)**	(1,791)
Net (decrease)/increase in cash and cash equivalents		**(11,903)**	21,292
Cash and cash equivalents at beginning of financial year		**35,040**	13,615
Effects of currency translation on cash and cash equivalents		**237**	133
Cash and cash equivalents at end of financial year		**23,374**	35,040

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

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2022

Reconciliation of liabilities arising from financing activities:

			Non-cash changes			
$'000	**1 January 2022**	**Principal & interest payments**	**Interest expense**	**Addition / (Reduction)**	**Adjustment**	**31 December 2022**
Lease liabilities	**15,776**	**(3,948)**	**148**	**-**	**-**	**11,976**

			Non-cash changes			
$'000	1 January 2021	Principal & interest payments	Interest expense	Addition / (Reduction)	Adjustment	31 December 2021
Lease liabilities	17,384	(1,791)	183	-	-	15,776

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

1. General information

The Company is incorporated and domiciled in Singapore. The address of the registered office is 1 Wallich Street, #35-01, Guoco Tower, Singapore 078881.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

The financial statements are presented in Singapore dollars, which is the functional currency of the Company.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

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

Interpretations and amendments to published standards effective in 2022

On 1 January 2022, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current period or prior financial years.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Company's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

(a) Premium income

Written premiums include premiums on contracts incepting during the financial year, irrespective of whether they relate in whole or in part to later financial years. Written premiums are disclosed gross of commissions to insurance companies and intermediaries.

The earned portion of written premiums is recognised as revenue proportionally over the period of coverage.

Treaty and facultative reinsurance inward premiums are recognised as written upon receipt of statements and closing placement slips respectively from cedants up to the time of closing of the books.

(b) Commission income

Commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying reinsurance contracts.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Other income

Other income consists of income receive from intercompany recharge and miscellaneous income.

2. Significant accounting policies (continued)

2.3 Financial assets

(a) Classification

The Company classifies its financial assets into loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date, which are presented as non-current assets. Loans and receivables are presented as “cash and cash equivalents”, “trade and other receivables” and “deposits”.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Management has designated all its financial assets as at fair value through profit or loss at inception. The designation of financial assets as at fair value through profit or loss at inception is irrevocable.

2. Significant accounting policies (continued)

2.3 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise, and are presented as investment income (net).

2. Significant accounting policies (continued)

2.3 Financial assets (continued)

(e) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.4 Derivative financial instruments

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss. The Company does not apply hedge accounting for its derivative financial instruments.

2. Significant accounting policies (continued)

2.5 Currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.6 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. Significant accounting policies (continued)

2.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at bank, and deposits held at call with financial institutions which are subject to an insignificant change in value.

2.8 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise they are presented as non-current liabilities.

Trade and other payables are initially recognised at their fair value, and subsequently carried at amortised cost, using the effective interest method.

2.9 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses (see Note 2.12).

The cost of property, plant and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Computers	3 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	5 years
Leasehold improvement	follows useful life of leasehold office
Leasehold office	shorter of lease term or 5 years

2. Significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.10 Leases

Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

Lease liabilities

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

2.11 Intangible assets

(a) Software development cost

Software that are internally developed are reported at cost less accumulated amortisation and accumulated impairment losses.

Software development cost is amortised on a straight-line basis over its estimated useful life using the straight-line method over 3 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

(b) Club membership

Club membership acquired is measured initially at cost less any accumulated impairment losses.

2.12 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Impairment assessment for club membership is performed annually as it has an indefinite useful life.

For the purpose of impairment testing of assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset, is recognised in profit or loss.

2. Significant accounting policies (continued)

2.13 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significant when compared to the premiums collected for such contracts.

For all these contracts, premiums are recognised as revenue (earned premiums) over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date inclusive of provisions for incurred but not reported claims. The Company discounts its liabilities for unpaid claims using applicable risk free discount rates.

2.14 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company where significant insurance risk is transferred are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Contracts may be modified from time to time either by agreement between the parties or due to change in regulation. In the event that a contract is modified to clarify coverage, indemnity, or other terms relevant to the operation of the contract, any changes in the financial performance of the contract since inception will be applied prospectively, and be fully reflected in the financial period in which the contract modification was executed.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurer’s share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising from the related reinsured insurance contracts.

2. **Significant accounting policies** (continued)

2.14 Reinsurance contracts held (continued)

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of the allowance is recognised in profit or loss.

2.15 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) Unearned premium reserves/deferred acquisition cost

An unearned premium reserve is made for the amount of premium not yet earned at the balance sheet date. Net unearned premium reserves are calculated using the 1/365th method based on the gross premiums written less return premiums and 25% method for marine cargo business.

Premium ceded to reinsurers by the Company in exchange for reinsurance protection is expensed in profit or loss in accordance with the reinsurance contract's expected pattern of incidence of risk. The deferred reinsurance premium asset is that portion of the reinsurance premium that the Company has not yet expensed in profit or loss as it represents reinsurance coverage to be received by the Company after the balance date.

Commission income and commission expense are deferred consistent with the earning of the related premium for that business. All other acquisition costs are recognised as expenses when incurred.

2. Significant accounting policies (continued)

2.15 Insurance liabilities (continued)

(b) Outstanding claims reserves

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the balance sheet, using the best information available at that time.

In addition, a provision is made for claims incurred but not reported ("IBNR") for all business written at the balance sheet date based on the past claims experience and statistics derived from prior trends (see Note 3).

The reserve for IBNR losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in profit or loss in the period in which they become known.

The claims provisions are intended to provide a 75% level of assurance of sufficiency, and as such include a Provision for Adverse Deviation (PAD) beyond the estimated cost of claim including the required IBNR.

Insurance companies may elect to purchase reinsurance cover to manage their exposure to any one claim or series of claims. Reinsurance recoveries is the provision that bases on incurred claims to recover some claim from reinsurance.

(c) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premium liabilities. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

2. Significant accounting policies (continued)

2.16 Commissions expenses

Commission expenses represent those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts.

2.17 Employee benefits compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as The Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

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

2.18 Government grants

Grants from the government are recognised as receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

3. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments in determining the reported insurance liabilities and pipeline premium. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate liability arising from claims is done using conventional actuarial techniques.

The key assumptions used by the Company, in determining its insurance liability and its sensitivity analysis are disclosed in Note 13(c).

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Company but not yet paid, for which more information about the claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using appropriate risk-free rates.

Central estimates are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts recoverable based on the gross central estimate.

3. Critical accounting estimates, assumptions and judgments (continued)

b) Pipeline premium estimation

Pipeline estimates are made for the premiums on contracts incepting during the financial year but not booked in the system at the date of the balance sheet. The estimate is based on past policy booking experience and statistics derived from prior trends. Estimates and assumptions are regularly evaluated and updated to incorporate recent historical experience.

4. Management expenses

	2022 S$'000	2021 S$'000
Employee compensation (Note 5)	**18,252**	19,351
Directors' fees	**110**	81
Consultant services	**1,785**	1,472
Management fees paid to immediate holding company	**14,536**	13,986
Depreciation of property, plant and equipment	**3,594**	3,626
Amortisation of intangible assets	**2,072**	2,187
Advertising and subscriptions	**635**	707
Impairment loss on trade receivables	**1,185**	56
Bad debts written off on trade receivables	**96**	323
Audit fees	**346**	300
IT expense	**1,060**	1,781
Bank charges	**365**	417
Admin fees	**-**	65
Realised foreign exchange loss	**588**	270
Postage, telephone and telex charge	**186**	143
Printing, stationery	**200**	141
Entertainment	**134**	82
Unrealised foreign exchange loss	**779**	84
Contingency reserve	**450**	475
Other expenses	**609**	608
	46,982	46,155

5. Employee compensation

	2022 S$'000	2021 S$'000
Wages and salaries	**13,128**	14,280
Employer's contribution to defined contribution plans	**1,415**	1,865
Other benefits	**3,709**	3,206
	18,252	19,351

6. (a) Investment income (net)

	2022	2021
	S$'000	S$'000
Interest income		
- Financial assets at fair value through profit or loss	**2,888**	3,829
- Bank deposits	**58**	-
Net realised loss from sale of financial assets at fair value through profit or loss	**(1,181)**	(1,796)
Net gain/(loss) from re-measurement of financial assets at fair value	**155**	(1,386)
Net (loss)/gain on foreign exchange	**(1,537)**	912
Net realised loss from derivative financial instrument	**(2,408)**	(907)
Net unrealised gain/(loss) from derivative financial instrument	**4,211**	(378)
	2,186	274
Investment expenses	**(277)**	(278)
Investment income (net)	**1,909**	(4)

(b) Other income

	2022	2021
	S$'000	S$'000
Miscellaneous income	**197**	765
Recharge to related parties	**1,484**	1,576
	1,681	2,341

7. Income tax

(a) Income tax expense

	2022 **S$'000**	2021 S$'000
Tax expense attributable to profit is made up of:		
Current income tax	**1,114**	106
Deferred income tax (Note 17)	**(90)**	496
Tax expense	**1,024**	602
Current income tax		
Current year	**1,082**	397
Under / (Over) provision in preceding financial year	**32**	(291)
	1,114	106
Deferred income tax		
Origination/(reversal) of temporary difference (Note 17)	**(90)**	496
	(90)	496

The tax on loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2022 **S$'000**	2021 S$'000
Profit before tax	**10,940**	2,927
Tax calculated at a tax rate of 17% (2021: 17%)	**1,860**	498
Tax effect of:		
Income tax (expense) / credit calculated at a lower rate of 10% instead of at 17%	**(917)**	119
Expense not deductible for tax purpose	**65**	302
Statutory stepped income exemption	**(17)**	(17)
Tax incentives	**1**	(9)
Under/(Over) provision in preceding financial year	**32**	(291)
Income tax expense	**1,024**	602

The Company has been approved by Monetary Authority of Singapore "MAS" for Concessionary Rate of Tax for Insurance Business Development "IBD" awarded from 1 January 2021 to 31 December 2029 under Section 43C of the Singapore Income Tax Act. The Company enjoys 10% concessionary tax rate for the qualify income generated from all classes of business except Fire, Motor, Work injury compensation, Personal accident, Health insurance.

7. Income tax (continued)

(b) Movements in current income tax liabilities

	2022 S$'000	2021 S$'000
Beginning of financial year	**407**	1,216
Income tax paid	**(402)**	(915)
Under / (Over) provision in preceding financial year	**32**	(291)
Tax payable on profit for current financial year	**1,082**	397
End of financial in year	**1,119**	407

8. Cash and cash equivalents

	2022 S$'000	2021 S$'000
Cash at bank and on hand	**23,374**	35,040

Cash and cash equivalents at the balance sheet date are denominated in the following currencies:

	2022 S$'000	2021 S$'000
United States Dollar	**9,554**	9,035
Singapore Dollar	**13,820**	26,005
	23,374	35,040

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 19(a)(ii).

9. Trade and other receivables

	2022 S$'000	2021 S$'000
Insurance receivables – Immediate holding company	**-**	7,537
Insurance receivables – Other related parties	**6,163**	20,414
Less: Allowance for impairment of receivables – Other related parties	**(28)**	110
	6,135	28,061
Insurance receivables – Non-related parties	**81,754**	80,807
Less: Allowance for impairment of receivables – Non-related parties	**(3,882)**	(2,835)
Insurance receivables	**77,872**	77,972
Interest receivables	**551**	1,163
Other receivables – Other related parties	**1,212**	653
Other receivables – Non-related parties	**364**	26
	86,134	107,875

At the balance sheet date, all insurance and other receivables, and interest receivables are current, and the carrying amounts approximate their fair values.

Insurance and other receivables include intercompany balances, which are unsecured and recoverable on demand.

10. Other assets

	2022 S$'000	2021 S$'000
Prepayments	**504**	588
Deposits	**1,271**	1,081
	1,775	1,669

11. Financial assets, at fair value through profit or loss

	2022 S$'000	2021 S$'000
Government debt securities	**320,059**	242,360
Corporate bonds	**-**	10,044
	320,059	252,404

The maturity profile and interest rate risk exposure of financial assets, at fair value through profit or loss are disclosed in Note 19(a)(ii).

Financial assets, at fair value through profit or loss, at the balance sheet date are denominated in the following currencies:

	2022 S$'000	2021 S$'000
Singapore Dollar	**208,581**	200,653
United States Dollar	**111,478**	51,751
	320,059	252,404

12. Derivative financial instruments

The Company has a fair value foreign exchange hedge arrangement with QBE Strategic Capital Company Pty Ltd ("QSCC"), under which QSCC acts as counterparty for the purchase or sale of forward contracts covering the Company's net USD exposure. Derivative contracts are recognised at fair value on the date each contract is entered into, and are subsequently remeasured to their fair value at the end of each accounting period. The contracted notional principal amount of the derivative outstanding at balance sheet date is $131,316,892 (2021: $87,767,820) and matures in January 2023. The Company has not elected hedge accounting.

	2022 S$'000	2021 S$'000
Derivative financial assets	**5,670**	487
Derivative financial liabilities	**(1,059)**	(87)
	4,611	400

13. Insurance liabilities and reinsurer's share of insurance liabilities

	2022 **S$'000**	2021 S$'000
Gross		
Insurance contracts:		
- unearned premium reserves	127,454	121,243
- outstanding claims reserves	279,738	244,433
Total insurance liabilities - gross	407,192	365,676
Reinsurance Outwards		
Insurance contracts:		
- unearned premium reserves	28,173	30,558
- outstanding claims reserves	171,572	145,951
Total reinsurers' share of insurance liabilities	199,745	176,509
Net		
Insurance contracts:		
- unearned premium reserves	99,281	90,685
- outstanding claims reserves	108,166	98,482
Total insurance liabilities - net	207,447	189,167

The estimated timing of the net cash outflows arising from the reinsurance assets and insurance liabilities are disclosed in Note 13(d).

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company faces the possibility of incurring higher claims costs than expected owing to the nature of the claims, their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

The Company seeks to minimise and manage these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The Company's underwriting policy supports the seeking of risks with adequate pricing that is commensurate with the risk profiles and claims experience.

The underwriting strategy attempts to ensure that there are appropriate risk criteria. There are underwriting policies setting the Company's risk appetite, risk management and control. Also in place are underwriting and claims authority limits. Where applicable, the Company has the right not to renew any policy, impose deductibles and reject payment of any fraudulent claim.

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(a) Insurance risk (continued)

(i) Loss reserves

Outstanding claims reserves include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for IBNR.

The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgements. Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available and assessed regularly by reference to both levels of business and actual claims development. The statistics are divided by class of business and arranged on an accident year basis. Estimates of ultimate outcome are assessed by accident year allowing for past experience, levels of business and known claims trends.

The establishment of an ultimate outcome for older accident years is more certain and IBNR is established mainly to allow for the adverse deterioration in the case of more recent years, and the most recent year in particular. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

IBNR allowance is established for the onshore and offshore fund as a whole. The IBNR allowance is reflecting this approach and is allocated to the respective funds on a consistent basis. Comfort should be taken from looking at the development of earlier accident years that adequate provisions have been established reflecting an allowance for adverse deviation.

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(a) Insurance risk (continued)

(ii) Reinsurance

The Company cedes insurance premiums and risks in a normal course of its business in order to limit the potential for single large loss or losses arising from a single event or longer exposures. Reinsurance does not, however, relieve the originating insurer of its liability. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

(b) Concentration of insurance risk

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted by the Company is summarised below, with reference to the carrying amount of the premiums (gross and net of reinsurance) arising from insurance contracts:

	2022		2021	
	Gross premium written S$'000	**Net premium written S$'000**	Gross premium written S$'000	Net premium written S$'000
Property	15,389	6,730	14,290	5,427
Motor	4,890	2,328	6,006	2,487
Marine Cargo	17,010	12,918	12,928	9,906
Marine Hull	69,286	20,604	69,546	17,983
Work Injury Compensation	27,918	15,021	24,394	12,568
Health	17,142	9,081	15,923	7,761
Public Liability	20,700	10,926	16,934	8,484
Engineering	29,671	14,703	21,884	9,295
Professional Indemnity	39,959	17,170	41,430	20,933
Others	18,929	5,006	20,057	4,131
Total	260,894	114,487	243,392	98,975

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(c) *Sensitivity analysis*

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on gross liabilities $'000	Impact on net liabilities $'000	Impact on profit before tax $'000
2022				
Ultimate loss ratio	+5%	6,671	2,965	(2,965)
Discount rate	+1%	(2,652)	(1,229)	1,229
Provision for adverse deviation	+1%	2,502	972	(972)
2021				
Ultimate loss ratio	+5%	5,954	2,826	(2,826)
Discount rate	+1%	(2,828)	(1,278)	1,278
Provision for adverse deviation	+1%	2,174	888	(888)

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(d) *Maturity analysis*

The table below indicates the estimated timing of the net cash outflows arising from recognised insurance liabilities of the Company:

	2022			2021		
	Payable within 12 months S$'000	**Payable after 12 months S$'000**	**Total S$'000**	Payable within 12 months S$'000	Payable after 12 months S$'000	Total S$'000
Gross						
Unearned premium reserves	101,045	26,409	127,454	86,175	35,068	121,243
Outstanding claims reserves	174,636	105,102	279,738	142,396	102,037	244,433
Total as at end of financial year	275,681	131,511	407,192	228,571	137,105	365,676
Reinsurance						
Unearned premium reserves	(22,335)	(5,838)	(28,173)	(23,412)	(7,146)	(30,558)
Outstanding claims reserves	(105,816)	(65,756)	(171,572)	(85,844)	(60,107)	(145,951)
Total as at end of financial year	(128,151)	(71,594)	(199,745)	(109,256)	(67,253)	(176,509)
Net						
Unearned premium reserves	78,710	20,571	99,281	62,763	27,922	90,685
Outstanding claims reserves	68,820	39,346	108,166	56,552	41,930	98,482
Total as at end of financial year	147,530	59,917	207,447	119,315	69,852	189,167

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(e) *Movements in insurance liabilities and reinsurance assets*

(i) *Unearned premium reserves*

	Gross S$'000	Reinsurance S$'000	Net S$'000
2022			
Total at beginning of financial year	**121,243**	**(30,558)**	**90,685**
Increase/(decrease) in unearned premium reserves	6,211	2,385	8,596
Total at end of financial year	127,454	(28,173)	99,281
2021			
Total at beginning of financial year	112,245	(27,538)	84,707
Increase/(decrease) in unearned premium reserves	8,998	(3,020)	5,978
Total at end of financial year	121,243	(30,558)	90,685

(ii) *Outstanding claims reserves*

	Gross S$'000	Reinsurance S$'000	Net S$'000
2022			
Total at beginning of financial year	**244,433**	**(145,951)**	**98,482**
Increase/(decrease) in claims reserves	35,305	(25,621)	9,684
Total at end of financial year	279,738	(171,572)	108,166
2021			
Total at beginning of financial year	232,241	(138,501)	93,740
Increase/(decrease) in claims reserves	12,192	(7,450)	4,742
Total at end of financial year	244,433	(145,951)	98,482

13. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(f) *Loss development tables (Gross of reinsurance)*

The loss development tables presented below are gross of reinsurance.

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
NET INCURRED											
0							152,054	135,582	114,057	130,173	
1						117,945	163,077	128,284	108,198		
2					187,083	112,470	166,185	126,923			
3				128,109	177,859	116,243	164,902				
4			113,006	130,442	174,859	111,111					
5		110,542	112,218	127,316	173,082						
6	96,233	108,524	110,001	128,053							
7	95,170	107,680	109,722								
8	96,722	107,626									
9	95,172										
Movement	-1,550	-54	-279	737	-1,777	-5,132	-1,283	-1,361	-5,859	130,173	113,615
Current estimate	95,172	107,626	109,722	128,053	173,082	111,111	164,902	126,923	108,198	130,173	1,254,962
Cumulative Payments	94,415	106,972	108,584	125,747	160,077	96,130	142,468	64,405	49,052	27,374	975,224
Gross Outstanding Liability	757	654	1,138	2,306	13,005	14,981	22,434	62,518	59,146	102,799	279,738

(g) *Loss development tables (Net of reinsurance)*

The loss development tables presented below are net of reinsurance.

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
NET INCURRED											
0							51,573	53,365	52,284	57,093	
1						50,552	54,725	46,449	48,609		
2					71,892	51,130	56,220	44,495			
3				102,224	69,847	50,336	55,663				
4			99,134	101,805	70,394	48,639					
5		96,798	97,343	99,929	69,194						
6	86,294	95,348	95,510	100,661							
7	86,750	94,825	95,257								
8	88,243	94,786									
9	86,800										
Movement	-1,443	-39	-253	732	-1,200	-1,697	-557	-1,954	-3,675	57,093	47,007
Current estimate	86,800	94,786	95,257	100,661	69,194	48,639	55,663	44,495	48,609	57,093	701,197
Cumulative Payments	86,030	94,693	94,250	98,468	63,493	43,694	48,937	27,321	23,123	13,022	593,031
Net Outstanding Liability	770	93	1,007	2,193	5,701	4,945	6,726	17,174	25,486	44,071	108,166

14. Property, plant and equipment

	Computers S$'000	Furniture and fittings S$'000	Office equipment S$'000	Leasehold improvement S$'000	Leasehold office $'000	Total S$'000
2022						
Cost						
Beginning of financial year	1,289	53	160	2,239	17,990	21,731
Additions	144	-	25	-	-	169
Disposals	(22)	-	-	-	-	(22)
End of financial year	1,411	53	185	2,239	17,990	21,878
Accumulated depreciation						
Beginning of financial year	882	20	46	1,661	3,910	6,519
Depreciation charge	257	9	34	165	3,129	3,594
Disposals	(22)	-	-	-	-	(22)
End of financial year	1,117	29	80	1,826	7,039	10,091
Net book value						
End of financial year	294	24	105	413	10,951	11,787

	Computers S$'000	Furniture and fittings S$'000	Office equipment S$'000	Leasehold improvement S$'000	Leasehold office $'000	Total S$'000
2021						
Cost						
Beginning of financial year	1,288	18	514	2,202	17,990	22,012
Additions	50	35	1	37	-	123
Disposals	(49)	-	(355)	-	-	(404)
End of financial year	1,289	53	160	2,239	17,990	21,731
Accumulated depreciation						
Beginning of financial year	649	11	369	1,487	781	3,297
Depreciation charge	282	9	32	174	3,129	3,626
Disposals	(49)	-	(355)	-	-	(404)
End of financial year	882	20	46	1,661	3,910	6,519
Net book value						
End of financial year	**407**	**33**	**114**	**578**	**14,080**	**15,212**

15. Intangible assets

Software development cost	**2022 Total S$'000**	2021 Total S$'000
Cost		
Beginning of financial year	**16,636**	14,173
Additions	**2,022**	2,463
End of financial year	**18,658**	16,636
Accumulated amortisation		
Beginning of financial year	**12,820**	10,633
Amortisation	**2,072**	2,187
End of financial year	**14,892**	12,820
Net book value		
End of financial year	**3,766**	3,816

Club membership	**2022 Total S$'000**	2021 Total S$'000
Cost		
Beginning of financial year	**290**	290
Additions/disposal	**-**	-
End of financial year	**290**	290
Impairment		
Beginning of financial year	**122**	122
Additions/disposal	**-**	-
End of financial year	**122**	122
Net book value		
End of financial year	**168**	168
Total intangible assets	**3,934**	3,984

16. Trade and other payables

	2022 S$'000	2021 S$'000
Current		
Trade payables consists of:		
- amounts due to non-related parties	**18,287**	14,185
- amounts due to other related parties	**26,164**	21,522
	44,451	35,707
Other payables consist of:		
- amounts due to immediate holding company	**5,116**	5,116
- amounts due to other related parties	**1,477**	779
- lease liabilities	**3,840**	3,603
- other payables	**8,384**	8,212
	18,817	17,710
Accrued expenses	**8,284**	8,276
	71,552	61,693
Non-current		
Other payables consist of:		
- lease liabilities	**8,136**	12,173
Total trade and other payables	**79,688**	73,866

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2022 S$'000	2021 S$'000
Deferred tax liability as at 1 January	**841**	345
(Credited)/debited to profit or loss (Note 7)	**(90)**	496
Deferred tax liability as at 31 December	**751**	841

17. Deferred tax assets and liabilities (continued)

The movements in deferred tax liabilities and assets during the financial year comprise the tax effects of the following:

	Beginning of financial year S$'000	(Credited) /Debited S$'000	End of financial year S$'000
2022			
Recognised in profit or loss:			
Excess of capital allowance over depreciation	**841**	**(90)**	**751**
2021			
Recognised in profit or loss:			
Excess of capital allowance over depreciation	345	496	841

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unutilised capital allowance of $149,817 (2021: $585,318) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowance have no expiry date.

18. Share capital

	2022		2021	
	No. of shares	**S$'000**	No. of shares	S$'000
Issued and fully paid ordinary shares with par value				
As at 1 January / 31 December	**135,000,572**	**135,001**	135,000,572	135,001

19. Management of financial risk

The Company's activities also expose it to a variety of financial risks, including the effects of changes in debt market prices and foreign currency exchange rates.

Financial risk management objectives

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from claims as they fall due. The most important components of this financial risk are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company manages these positions within an investment strategy that has been developed with the following objectives:

(i) to preserve capital in reasonably liquid investments to pay claims, and
(ii) to maximise returns to the Company's income needs.

The Company's investment strategy is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

(a) Market risk

(i) Currency risk

The Company maintains cash and deposits mainly in Singapore Dollars ("SGD") which is consistent with its functional currency. The foreign exchange exposure arose mainly from exchange rate movements of the United States Dollar (“USD”) against the SGD. However, the Company manages its exposure to USD by applying fair value hedge in USD.

The table below summarises the Company’s exposures to foreign currency exchange rate movements as at 31 December 2022. The Company’s assets and liabilities at carrying amounts are included in the table, categorised by currency at their carrying amount. All the amounts are presented in Singapore Dollars.

19. Management of financial risk (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $'000	USD $'000	Total $'000
As at 31 December 2022			
Cash and cash equivalents	**13,820**	**9,554**	**23,374**
Trade and other receivables	**38,641**	**47,493**	**86,134**
Other assets (excluding prepayments)	**1,203**	**68**	**1,271**
Financial assets, at fair value through profit or loss	**208,581**	**111,478**	**320,059**
Derivative financial assets	**-**	**5,670**	**5,670**
Financial assets	**262,245**	**174,263**	**436,508**
Trade and other payables	**41,277**	**38,411**	**79,688**
Derivative financial liabilities	**-**	**1,059**	**1,059**
Total liabilities	**41,277**	**39,470**	**80,747**
Net financial assets	**220,968**	**134,793**	**355,761**
As at 31 December 2021			
Cash and cash equivalents	26,005	9,035	35,040
Trade and other receivables	47,813	60,062	107,875
Other assets (excluding prepayments)	1,081	-	1,081
Financial assets, at fair value through profit or loss	200,653	51,751	252,404
Derivative financial assets	-	487	487
Financial assets	275,552	121,335	396,887
Trade and other payables	38,873	34,993	73,866
Derivative financial liabilities	-	87	87
Total liabilities	38,873	35,080	73,953
Net financial assets	236,679	86,255	322,934

(ii) 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.

19. Management of financial risk (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Summary quantitative data of the Company's interest-bearing financial instruments can be found in below.

Effective interest rates and maturity analysis

Non-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

		INTEREST BEARING FINANCIAL ASSETS			
Maturity Date		**WITHIN 1 YEAR**	**1 YEAR - 5 YEARS**	**MORE THAN 5 YEARS**	**TOTAL**
As at 31 December 2022					
Fixed Interest	S$'000	236,984	83,075	-	320,059
Weighted Average Interest Rate	%	4.34	3.37	-	4.09
Floating Rate	S$'000	23,374	-	-	23,374
Weighted Average Interest Rate	%	0.25	-	-	0.25
As at 31 December 2021					
Fixed Interest	S$'000	173,742	68,618	10,044	252,404
Weighted Average Interest Rate	%	0.42	0.74	1.71	0.56
Floating Rate	S$'000	35,040	-	-	35,040
Weighted Average Interest Rate	%	0.00	-	-	0.00

19. Management of financial risk (continued)

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit rating to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of reinsurers' share of insurance contract provisions, insurance and other receivables, financial assets at fair value through profit or loss, deposits, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

As at 31 December 2022, the Company had exposure to concentration of credit risk arising from one trade debtor (2021: one trade debtor) that represented 20% (2021: 18%) of trade receivables at balance sheet date.

At the end of the reporting period, there is no other significant concentration of credit risk and exposures are well spread. The Company's exposure to credit risk relating to its financial and insurance assets are summarised below:

2022	**AAA** **S$'000**	**A- to AA+** **S$'000**	**BB to BBB+** **S$'000**	**Not Rated** **S$'000**	**Total** **S$'000**
Financial Assets, at fair value through profit or loss	**208,581**	**111,478**	**-**	**-**	**320,059**
Cash and cash equivalent	**-**	**23,374**	**-**	**-**	**23,374**
Trade and other receivables	**506**	**10,997**	**35**	**74,596**	**86,134**
Other assets (excluding prepayment)	**-**	**-**	**-**	**1,271**	**1,271**
Derivative financial instruments	**-**	**-**	**-**	**5,670**	**5,670**

2021	AAA S$'000	A- to AA+ S$'000	BB to BBB+ S$'000	Not Rated S$'000	Total S$'000
Financial Assets, at fair value through profit or loss	190,609	51,751	10,044	-	252,404
Cash and cash equivalent	-	35,040	-	-	35,040
Trade and other receivables	1,011	24,177	161	82,526	107,875
Other assets (excluding prepayment)	-	-	-	1,081	1,081
Derivative financial instruments	-	-	-	487	487

19. Management of financial risk (continued)

(b) Credit risk (continued)

The following table provides information regarding the ageing of the Company's financial assets that are past due but not impaired at the balance sheet date.

	Neither Past Due Nor Impaired S$'000	**Past Due But Not Impaired 0-3mths S$'000**	**3-12mths S$'000**	**More than 12mths S$'000**	**Total S$'000**
2022					
Insurance receivables	**37,401**	**16,539**	**17,665**	**12,402**	**84,007**
Other receivables - related parties	**-**	**1,212**	**-**	**-**	**1,212**
Other receivables - non-related parties	**-**	**915**	**-**	**-**	**915**

	Neither Past Due Nor Impaired S$'000	Past Due But Not Impaired 0-3mths S$'000	3-12mths S$'000	More than 12mths S$'000	Total S$'000
2021					
Insurance receivables	36,807	14,102	21,994	33,130	106,033
Other receivables - related parties	-	653	-	-	653
Other receivables - non-related parties	-	1,189	-	-	1,189

(c) Liquidity risk

An important aspect of the Company's management of financial and insurance assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company maintains sufficient cash and liquid deposits, and internally generated cash flows to finance its activities. In normal circumstances, the majority of claims are settled with the cash at bank balances and bank deposits available.

19. Management of financial risk (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities of the Company as at 31 December 2022 and 2021:

	Carrying amount	**Contractual cashflow**	**Up to 1 year**	**1 to 5 years**
	S$'000	**S$'000**	**S$'000**	**S$'000**
2022				
Amount due to immediate holding company	**5,116**	**5,116**	**5,116**	**-**
Amount due to other related parties	**1,477**	**1,477**	**1,477**	**-**
Insurance payables	**44,451**	**44,451**	**44,451**	**-**
Lease liabilities	**11,976**	**12,173**	**3,948**	**8,225**
Other payables	**8,384**	**8,384**	**8,384**	**-**
Accrued expenses	**8,284**	**8,284**	**8,284**	**-**
	79,688	**79,885**	**71,660**	**8,225**

	Carrying amount	Contractual cashflow	Up to 1 year	1 to 5 years
	S$'000	S$'000	S$'000	S$'000
2021				
Amount due to immediate holding company	5,116	5,116	5,116	-
Amount due to other related parties	779	779	779	-
Insurance payables	35,707	35,707	35,707	-
Lease liabilities	15,776	16,121	3,948	12,173
Other payables	8,212	8,212	8,212	-
Accrued expenses	8,276	8,276	8,276	-
	73,866	74,211	62,038	12,173

19. Management of financial risk (continued)

(d) Capital risk

The Company's policy is to maintain an economic capital base adequate to support its underwriting strategy within its risk appetite. The Company is also required to comply with the regulatory capital requirements prescribed by the MAS. Under the Risk-based Capital 2 Framework (RBC 2) as set out in MAS Notice 133, insurance companies are required to maintain minimum admissible surplus capital of 100% of the Prescribed Capital Requirement (PCR). The MAS may prescribe additional capital add-ons for each insurer, or for the industry as a whole. The Company has surplus admissible capital in excess of the minimum requirement and all applicable capital add-ons. Capital adequacy ratio as of 2022 is 285% (2021: 232%) for the entity.

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
2022				
Financial assets, at fair value through profit or loss	**204,396**	**115,663**	**-**	**320,059**
Derivative financial instruments	**-**	**4,611**	**-**	**4,611**
	204,396	**120,274**	**-**	**324,670**

	Level 1	**Level 2**	**Level 3**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
2021				
Financial assets, at fair value through profit or loss	175,571	76,833	-	252,404
Derivative financial instruments	-	400	-	400
	175,571	77,233	-	252,804

19. Management of financial risk (continued)

(e) Fair value measurements (continued)

The Company's assets measured at fair value are its fair value through profit or loss financial assets, which are classified by level of the following fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets (at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of current trade and other receivables approximate their fair values. The fair value of financial liabilities approximates their carrying amount.

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value through profit or loss are disclosed on the face of the balance sheet and in Note 11 to the financial statements respectively.

The aggregate carrying amounts of financial assets, are as follows:

	2022	2021
	S$'000	S$'000
Cash and cash equivalents	**23,374**	35,040
Trade and other receivables	**86,134**	107,875
Other assets (excluding prepayments)	**1,271**	1,081
Financial assets, at fair value through profit or loss	**320,059**	252,404
Derivative financial instruments	**4,611**	400

20. Immediate and ultimate holding corporation

The Company's immediate holding corporation is QBE Asia Pacific Holdings Limited ("QAPH"), incorporated in Hong Kong. The ultimate holding corporation is QBE Insurance Group Limited, incorporated in Australia.

21. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and related parties at terms agreed between the parties:

		2022	2021
		S$'000	S$'000
(a)	Revenue		
	Reinsurance premiums received from other related parties	**4,533**	4,407
	Reinsurance commissions received from related parties	**42,249**	40,061
	Reinsurance claims recovered from other related parties	**34,812**	55,043
	Management expenses received from related parties	**15,644**	14,797
	Payment made on behalf by the Company	**503**	767

		2022	2021
		S$'000	S$'000
(b)	Expenses		
	Reinsurance premiums ceded to other related parties	**143,706**	135,173
	Reinsurance commissions paid to other related parties	**609**	211
	Reinsurance claims paid to other related parties	**69**	55
	Management fees paid to a related party	**14,536**	13,986
	Management expenses paid to related parties	**4,891**	4,359

21. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

	2022 **S$'000**	2021 S$'000
Salary and other remuneration	**1,683**	1,447
Post-employment benefits – contribution to Central Provident Fund	**52**	52
	1,735	1,499

22. Lease

The company leases office space for the purposes of back office operations.

(i) Carrying amounts

	2022 **S$'000**	2021 S$'000
Leasehold office	**10,951**	14,080

(ii) Depreciation charge during the year

	S$'000	S$'000
Leasehold office	**3,129**	3,129

(iii) Interest expense

	S$'000	S$'000
Interest expense on lease liabilities	**148**	183

(iv) Total cash outflow for all leases in 2022 was $3,947,904 (2021: $1,791,014).

(v) Addition of ROU assets during financial year 2022 was NIL (2021: NIL).

23. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions except for FRS109 and FRS 117 which are under assessment.

Effective for annual periods beginning on or after 1 January 2023:

- FRS 109 Financial Instruments (deferral option)
- FRS 117 Insurance Contracts
- Amendments to FRS 1: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
- Amendments to FRS 1: Presentation of Financial Statements and FRS Practice Statement 2: (Disclosure of Accounting Policies)
- Amendments to FRS 8: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
- Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to FRS 17: Insurance Contracts
- Amendments to FRS 10: Consolidated Financial Statements and FRS 1 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

24. Disclosure on the temporary exemption from FRS 109

According to FRS 104 Insurance Contracts, the Company made the assessment based on the financial position as of 31 December 2015, concluding that the Company met the criteria as set out for the temporary exemption under FRS 109. There had been no significant change in the activities of the Company since then that requires reassessment. Therefore, the Company’s activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

(a) Temporary exemption on adoption of FRS 109 Financial Instruments

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (“FVOCI”) and fair value through Profit or Loss (“FVTPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be

24. Disclosure on the temporary exemption from FRS 109 (continued)

(a) Temporary exemption on adoption of FRS 109 Financial Instruments (continued)

measured at FVTPL with an irrevocable option at inception to present changes in fair value in Other Comprehensive Income ("OCI") . Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit loss impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2021), but the Company qualifies for a temporary exemption as explained in Note 24(b). Additional disclosures required by FRS 109 is made in Note 24(c) and 24(d).

(b) Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

FRS104 introduces two approaches: an overlay approach and a deferral approach:

(1) gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contract is issued (the "Overlay Approach"); and

(2) gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 until 2021 (the "Deferral Approach").

24. Disclosure on the temporary exemption from FRS 109 (continued)

(b) Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (continued)

In determining the appropriateness of the Company's eligibility in applying the exemption, management have reviewed the conditions prescribed by the FRS 104 to ascertain if the Company has met the eligibility criteria set forth.

As at 31 December 2015, the carrying amount of the Company's insurance liabilities within the scope of FRS 104 exceed 80% of the carrying amount of the Company's total liabilities; and the Company does not engage in any significant activity unconnected with insurance, on the basis that its business is almost exclusively in the nature of issuing insurance contracts, purchasing reinsurance protection and deriving a return from the investment of insurance premiums. As such, the Company has met the criteria as set out for the temporary exemption under FRS 109.

The Company has decided that it will defer the implementation of FRS 109 till the new insurance accounting standard is effective and it is able to perform a comprehensive assessment of both standards together.

On 17 March 2020, IASB has approved to defer the new insurance standard to financial period beginning on or after 1 January 2023. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39.

(c) The table below presents the fair value of the following groups of financial assets under FRS 109 as at financial year end and fair value changes during the year:

	Fair value as at 31 December 2022			Fair value changes for the year ended 31 December 2022		
Assets	Financial assets that meet the SPPI Criteria S$'000	Financial assets that fail the SPPI criteria S$'000	Total S$'000	Financial assets that meet the SPPI Criteria S$'000	Financial assets that fail the SPPI criteria S$'000	Total S$'000
Cash and cash equivalents	**23,374**	-	**23,374**	-	-	-
Trade and other receivables	**86,134**	-	**86,134**	-	-	-
Other assets (excluding prepayments)	**1,271**	-	**1,271**	-	-	-
Financial assets	**320,059**	-	**320,059**	**155**	-	**155**
Derivative financial assets	-	**5,670**	**5,670**	-	-	-
Total	**430,838**	**5,670**	**436,508**	**155**	-	**155**

24. Disclosure on the temporary exemption from FRS 109 (continued)

(c) The table below presents the fair value of the following groups of financial assets under FRS 109 as at financial year end and fair value changes during the year: (continued)

	Fair value as at 31 December 2021			Fair value changes for the year ended 31 December 2021		
Assets	Financial assets that meet the SPPI Criteria S$'000	Financial assets that fail the SPPI criteria S$'000	Total S$'000	Financial assets that meet the SPPI Criteria S$'000	Financial assets that fail the SPPI criteria S$'000	Total S$'000
Cash and cash equivalents	35,040	-	35,040	-	-	-
Trade and other receivables	107,875	-	107,875	-	-	-
Other assets (excluding prepayments)	1,081	-	1,081	-	-	-
Financial assets	252,404	-	252,404	1,386	-	1,386
Derivative financial assets	-	487	487	-	-	-
Total	396,400	487	396,887	1,386	-	1,386

(d) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Carrying amount as 31 December 2022 $'000	**Fair value as at 31 December 2022 $'000**
AAA	**209,090**	**209,090**
A- to AA+	**145,849**	**145,849**
BB to BBB+	**35**	**35**
Not rated	**75,864**	**75,864**
	430,838	**430,838**

	Carrying amount as 31 December 2021 $'000	Fair value as at 31 December 2021 $'000
AAA	191,620	191,620
A- to AA+	110,968	110,968
BB to BBB+	10,205	10,205
Not rated	83,607	83,607
	396,400	396,400

For financial assets measured at amortised cost, carrying amount represents amount before adjusting impairment allowance.

25. Transition from FRS 104 to FRS 117 Insurance Contract

The Accounting Standards Council Singapore (the “ASC”) adopted International Financial Reporting Standards (“IFRS”) 17 Insurance Contracts without modification into FRS 117. FRS 117 Insurance Contracts replaced the current FRS 104 insurance contract standard. IFRS 17 is effective for years beginning on January 1, 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows); and a contractual service margin (“CSM”), representing the unearned profit to be recognised in profit or loss over the service period (coverage period). Losses on contracts that are onerous at inception are recognised immediately. The core of FRS 117 is the general measurement model (“GMM”), supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach (“VFA”)), and a simplified approach (the premium allocation approach (“PAA”)) for short-duration contracts.

Measurement of insurance contracts

Measurement models
The standard introduces a new GMM for the recognition and measurement of insurance and reinsurance contracts. The liability for remaining coverage (“LRC”) on insurance contracts represents insurance coverage to be provided after the balance date, is measured as the sum of:

- the present value of expected future cash flows and a risk adjustment (collectively referred to as the ‘fulfilment cash flows’); and
- a CSM, being the unearned profit, which is recognised as insurance revenue in profit or loss over the coverage period of the contracts. The CSM is earned based on a pattern of coverage units which may not be the same as the pattern of incidence of risk used to earn gross written premium under FRS 104.

25. Transition from FRS 104 to FRS 117 Insurance Contract (Continued)

FRS 117 allows the use of a simplified measurement approach referred to as the PAA. Under both the GMM and the PAA, the liability for incurred claims ("LIC"), which is equivalent to the outstanding claims liability under FRS 104, is measured as the sum of the fulfilment cash flows. However, the PAA introduces a simplified approach for measuring the LRC. A group of insurance contracts in which each contract has a coverage period of 12 months or less automatically qualifies for use of the PAA. For contracts with a coverage period of more than 12 months, an entity may apply the PAA if it results in a LRC for the group of contracts that does not differ materially from the LRC that would result from applying the GMM. The Company has developed a model and methodology for assessing eligibility of contracts with coverage periods of greater than one year to apply the PAA. The assessment, involved both detailed modelling under a range of scenarios as well as a qualitative assessment of contract features.

For groups of contracts that apply the PAA and have a coverage period of one year or less, FRS 117 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Company does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts. This is different from the current approach under FRS104 with only commission income and commission expense being deferred and all other acquisition costs being recognised as expenses when incurred.

Onerous contracts

Contracts measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information for planning and performance management purposes.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance.

25. Transition from FRS 104 to FRS 117 Insurance Contract (Continued)

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment. FRS 117 risk adjustment is defined as the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The Company intends to apply a cost of capital approach as a key input to determining the risk adjustment for both the liability for incurred claims and the liability for remaining coverage.

FRS 117 requires the disclosure of the confidence level used to determine the risk adjustment used in the measurement of insurance contract liabilities.

Discount rates

The Company currently applies risk-free rates to discount net central estimate of outstanding claims. FRS 117 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.

The Company will apply a ‘bottom-up approach’ to determine FRS 117 discount rates, which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts.

Foreign exchange

Insurance contract assets and liabilities that are denominated in foreign currency are treated as monetary items under FRS 117. This differs from current industry practice in respect of unearned premium and deferred insurance costs which are treated as non-monetary items.

Presentation and disclosure

The standard introduces changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of comprehensive income and balance sheet and increased disclosures compared with existing reporting requirements.

25. Transition from FRS 104 to FRS 117 Insurance Contract (Continued)

Existing insurance and reinsurance contract line items on the balance sheet (including trade debtors arising from general insurance contracts, unearned premium, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced by insurance contract assets and liabilities, and reinsurance contract assets and liabilities. Insurance contract liabilities under FRS 117 will include all cash flows that directly relate to the fulfilment of insurance contracts (direct business and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the balance sheet.

Transition

The Company will apply FRS 117 retrospectively to all its insurance and reinsurance contracts on transition.

Financial impact on the transition to FRS 117

The Company will adopt FRS 117 for the first time on 1 January 2023. The requirements of FRS 117 are complex and the expectations noted above are subject to change as the Company works to finalise key assumptions in relation to each of the above components. The Company's implementation of FRS 117 is well-progressed and work is ongoing to finalise the transition impacts and restate comparative information for reporting on this basis in 2023.

26. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors of the Company on 28 March 2023.

QBE INSURANCE (SINGAPORE) PTE. LTD.

(Incorporated in Singapore. Registration Number: 198401363C)

UNAUDITED DISCLOSURES

Corporate Governance

The Company is committed to the highest standards of corporate governance. It has a vision and values that recognise its customers, people, shareholders and the community. The Company believes that a culture that rewards transparency, integrity and performance will promote its long-term sustainability and the ongoing success of its business.

Board Functions

The Board charter sets out the matters expressly reserved for the Board and those delegated to its Committees and management.

In accordance with its charter, the Board:

- provides guidance and oversight to the management
- approves the strategies, business plans and major policies of the Company
- monitors performance against plan
- ensures that an effective framework of risk management and internal control is in place
- ensures the necessary financial and human resources are in place to execute the business plans; and
- considers regulatory compliance.

In addition, the Board plays a significant role in the Enterprise Risk Management (ERM) framework. The Board is responsible for ensuring that an effective risk management strategy is implemented and for defining the risk appetite boundaries within which risk must be managed. The Board is supported by the Board Risk and Capital Committee which meets at least quarterly and is responsible for overseeing active and appropriate management of risks according to the stated risk appetite, strategy and business plans.

The Directors of the Company currently in office are:

1. Arunothayam Rajaratnam*
2. Jason Hammond
3. Michael Gourlay (Chairman)*
4. Ronak Shah
5. Tay Siang Leng

   **independent directors*

UNAUDITED DISCLOSURES

The following Board Committees assist the Board in executing its duties:

- Board Risk and Capital Committee
- Board Audit Committee
- Investment Committee

Board Risk & Capital Committee (BRCC)

The BRCC supports the Board in overseeing the effectiveness of the Company's risk and capital management frameworks in order to support strategic objectives, support and inform business plans, ensure that risks are identified, assessed and monitored in line with risk appetite and ensure that adequate capital is maintained against the risks associated with business activities.

Board Audit Committee (BAC)

The BAC supports the Board in overseeing the effectiveness of the Company's financial reporting and risk management framework. In particular, the Committee oversees and monitors the integrity of the Company's financial reporting, including:

- Financial reporting to regulators and shareholders;
- Financial reporting risks;
- Accounting policies, practices and disclosures;
- The scope and outcome of external and internal audit; and
- The adequacy and independence of the internal and external audit functions.

Investment Committee

The role of the Committee is to support the Board in overseeing the effectiveness of the Company's investment strategy. While the overall investment strategy of the Company is determined by the board of QBE Insurance Group Ltd ("QBE Group"), the Investment Committee's primary role is to ensure that the Company's financial asset allocation remains consistent with local risk appetite, and capital and liquidity requirements.

UNAUDITED DISCLOSURES

Management Functions And Controls

The Chief Executive of the Company, together with the senior leadership team, forms the Executive Committee (“Exco”) of the Company. The Exco is responsible for the implementation of strategies and business plans, providing management oversight and developing strategic priorities, reviewing policies and guidelines, as well as for establishing and maintaining adequate controls over its operations.

In addition, a Reserving Committee is in place to review and make recommendations to the Certifying Actuary on the valuation of the Company’s insurance liabilities.

QBE Group has established group-wide policies to ensure a consistent control framework is adopted across the QBE group of companies. The Company leverages these policies and adapts them for local implementation to ensure consistency and compliance with local regulatory requirements. Compliance with these established policies and procedures are measured and monitored through reporting from the business to the management committees both in the Company and at the regional level and ultimately, to the Board and Board committees.

UNAUDITED DISCLOSURES

Enterprise Risk Management Framework

The enterprise risk management framework describes the Company's approach to managing risk and is embedded in our Risk Management Strategy which is annually reviewed to assess its effectiveness. To achieve the integration of risk in business planning and supporting our strategic objectives, material risks are identified and assessed.

Risk governance

The Company's approach to managing risk is set out in the Risk Management Strategy, which is implemented through a three lines of defence model with oversight from the Board.

- **The first line** is responsible for managing the risk that arises as a result of activities undertaken in our risk-taking businesses.
- **The second line** includes the risk management and compliance functions which are responsible for the maintenance and monitoring of risk management frameworks, as well as the measurement and reporting of risk performance and compliance.
- **The third line** is provided by the internal audit function, which is responsible for providing independent assurance to the Board and its various audit and risk committees that risk management and internal control frameworks are working as designed.

QBE's approach to assurance seeks to integrate assurance-related activities across all three lines of defence to provide assurance that the key risks are being appropriately managed.

Risk Appetite Framework

The Company's risk appetite statements define the threshold for our risk appetite and are subject to periodic updates. Monitoring this enables QBE management to be aware of potential earnings volatility risks within the business plan and take action accordingly.

- **Risk Preferences** are Board-owned articulations of the type of organisation we want to be. They support our strategic direction and provide guidance towards our attitude to risk that helps to inform more specific articulations of the level of risk we are prepared to accept, such as the Risk Appetites.
- **Risk Capacity** is the level of capital resources available to support our strategic acceptance of risk. For the purpose of setting the Risk Appetites, the Risk Capacity will be considered on an annual basis.

UNAUDITED DISCLOSURES

- **Risk Appetite** is the Board-owned articulation of the level of risk QBE is prepared to take in pursuit of its objectives, given its Risk Preferences and Risk Capacity. These are measurable statements which are delegated to Executive Management, overseen by the Chief Risk Officer and reported to the Board Risk and Capital Committee (BRCC) and the Board on a regular basis.
- **Risk Limits** are specific limits to guide the business on where the Company's risk boundaries lie. These sit below the Risk Appetites and may also be expressed in relevant Risk Policies.
- **Key Risk Indicators** provide management with information on the level of risk that is being taken. In some cases, these might be used to support the Risk Appetites, but are not themselves part of the Risk Appetite Statements.

Risk Identification, Measurement and Mitigation

QBE adopts a robust risk identification, measurement and mitigation process to support the ERM Framework. Key activities include:

- Group-wide stress testing is performed to help develop mitigation strategies and actions to achieve our business plans.
- QBE's Group Risk and Control Self-Assessment Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives, and assessing the effectiveness of those controls in place to manage those risks.
- The Incident and Issue Management Standard sets the minimum requirements for managing incidents and issues across QBE. This allows QBE to better manage risk and drive continuous improvement by understanding our risk exposure, identifying the root causes and proactively improving the overall control environment.

Investment Strategy

Investment Mix

The Company's financial assets are managed by Group Investments under the terms of an investment management agreement (IMA) tailored to the specific needs of the Company, and consistent with the investment strategy of QBE Group.

The Company's financial asset allocation is determined such that it:

- supports the solvency of the balance sheet based on the RBC II solvency framework
- stabilises earnings by managing the economic impact of insurance liabilities through an appropriate asset-liability management (ALM) framework

The IMA restricts the asset classes and investment quality of the financial assets which may be traded on behalf of the Company. The Company has limited appetite for investment volatility, and consequently holds an investment portfolio exclusively comprising fixed interest securities and cash.

The investment portfolio includes a mix of USD and SGD denominated government securities, with a small allocation to investment grade corporate debt.

Detail on the composition and size of the investment portfolio is disclosed in the Company's audited financial statements and regulatory returns.

Asset liability management (ALM)

The Company's ALM framework requires that the duration of financial assets is similar to its discounted insurance liabilities. This limits balance sheet exposure to interest rate movements.

One of the primary requirements of the IMA is to match the Company's assets and liabilities within a tolerable margin.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk, primarily from outstanding claims denominated in non-SGD currencies. Foreign exchange risk is hedged using forward contracts which are adjusted monthly to reflect changes in exposure.

Foreign exchange hedging activity is managed by QBE Group Treasury, and does not fall within the scope of the IMA.

UNAUDITED DISCLOSURES

Liquidity Risk

The Company is required to maintain at least 9% of liabilities in cash or liquid securities to ensure that financial obligations can be funded in a timely manner. In practice the Company usually holds in excess of 70% of its liabilities in cash or liquid securities due to the concentration of government and investment grade interest rate securities in its investment portfolio.

UNAUDITED DISCLOSURES

Capital Management

Capital Adequacy

The Company maintains a surplus of financial assets to financial liabilities (capital) at a level intended to protect the interests of policy holders, meet the requirements of the local regulator, and allow QBE Group to optimise its deployment of financial resources.

The Board determines the solvency risk appetite of QBE and sets the Internal Target Capital Level (ITCL) based on the advice of management. The ITCL is expressed as a proportion of the Prescribed Capital Requirement (PCR) and articulated as a range of values, with the minimum representing a breach of the Board's risk appetite and the maximum representing an upper bound on the operating capital foreseeably required by the company.

The ITCL is reviewed at least annually to allow for changes in the volatility of the business, the external business and regulatory environment, and the inherent risk appetite of the Board. Management is required to monitor QBE's capital adequacy relative to the ITCL on a monthly basis, and to undertake pre-determined actions in the event that the capital adequacy ratio (CAR) falls below prescribed levels within the ITCL (trigger levels), or if the CAR is expected to change by more than a prescribed amount (trigger event). The use of trigger levels and trigger events ensures that management anticipates increased risk of breach of the ITCL, and responds appropriately in advance of any actual breach of the Board's solvency risk appetite.

Own Risk Solvency Assessment (ORSA)

The Company produces an annual Own Risk Solvency Assessment (ORSA) report for the Board, in compliance with MAS Notice 126. The ORSA embeds many of the elements of the Company's ERM framework and contains quantitative and qualitative evaluation of the financial risks of the Company and how they relate to the solvency risk appetite of the Board.

The ORSA report is one of the primary links between the Company's strategy and the risk appetite of the Board, and includes forward-looking projections, stress scenarios, and stress-to-fail scenarios to assist the Board in understanding the volatility of the business.

UNAUDITED DISCLOSURES

Additional Information

- The Company's annual regulatory returns can be accessed at:

  https://www.mas.gov.sg/statistics/insurance-statistics/insurance-company-returns/i895g

QBE Insurance (Singapore) Pte Ltd
Part of QBE Insurance Group Unique Entity No. 198401363C

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