



MS FIRST CAPITAL INSURANCE LIMITED

(Incorporated in Singapore. Registration No. 195000106C)

ANNUAL REPORT

For the financial year ended 31 December 2023

MS FIRST CAPITAL INSURANCE LIMITED
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 December 2023

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MS FIRST CAPITAL INSURANCE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

The directors present their statement to the members together with the audited financial statements for the financial year ended 31 December 2023.

In the opinion of the directors,

- (a) the financial statements set out on pages 8 to 82 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023, and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Ramaswamy Athappan
Ajit Nair
Arumugam Muthu
Lee Kwong Foo, Edward
Tetsuya Adachi
Dileep Nair
Clemens Philippi
Hiroshi Hagiuda (appointed on 1 January 2024)

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.

MS FIRST CAPITAL INSURANCE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

Directors' interests in shares or debentures

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

| Name of director and corporation in which interests are held | Holdings at end of the year | Holdings at beginning of the year |
|---|-----------------------------------|---|
| Tetsuya Adachi | | |
| MS&AD Insurance Company Holdings, Inc. | | |
| - Ordinary shares | | |
| - Interest held | 2,800 | 2,800 |
| - Deemed interests | 220 | 66 |
| BPI/MS Insurance Corporation | | |
| - Ordinary shares | | |
| - Interests held | 1 | 1 |
| Ueang Mai Co., Ltd | | |
| - Ordinary shares | | |
| - Interests held | 1 | 1 |
| Yardhimar Company Limited | | |
| - Ordinary shares | | |
| - Interests held | 1 | 1 |
| Clemens Philippi | | |
| BPI/MS Insurance Corporation | | |
| - Ordinary shares | | |
| - Interests held | 1 | – |
| Ueang Mai Co., Ltd | | |
| - Ordinary shares | | |
| - Interests held | 1 | – |
| Yardhimar Company Limited | | |
| - Ordinary shares | | |
| - Interests held | 1 | – |
| Ramaswamy Athappan | | |
| MS First Capital Insurance Limited | | |
| - Ordinary shares | | |
| - Interests held | 1 [#] | 1 [#] |

[#] The share is held in trust for the immediate holding corporation, Mitsui Sumitomo Insurance Company, Limited.

MS FIRST CAPITAL INSURANCE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

Share options

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

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

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

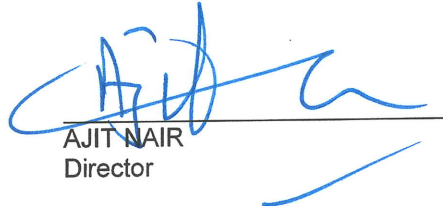
Independent auditor

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the directors



RAMASWAMY ATHAPPAN
Director



AJIT NAIR
Director

30 April 2024



KPMG LLP
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Asia Square Tower 2
Singapore 018961

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INDEPENDENT AUDITORS' REPORT

Members of the Company
MS First Capital Insurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MS First Capital Insurance Limited ('the Company'), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 8 to 82.

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

Basis for opinion

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

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

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

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



MS First Capital Insurance Limited
Independent auditors' report
Year ended 31 December 2023

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.

A handwritten signature in black ink, appearing to read 'Kpmg LLP', written over a large, stylized 'K' that is part of the KPMG logo.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 April 2024

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

| | Note | 2023 \$ | 2022 Restated* \$ |
|---|---------|--------------------|-------------------------|
| Insurance revenue | 4 | 1,012,775,229 | 830,913,998 |
| Insurance service expenses | 7/15(A) | (661,886,196) | (531,581,218) |
| Net expenses from reinsurance contracts | 15(A) | (234,004,781) | (171,303,133) |
| Insurance service result | | 116,884,252 | 128,029,647 |
| Interest revenue calculated using the effective interest method | 5(B) | 73,036,464 | 34,243,151 |
| Other investment revenue | 5(C) | (17,022,175) | (9,107,308) |
| Investment expenses | 5 | (464,956) | (801,706) |
| Write back of / (Provision for) net impairment loss on financial assets | 5 | 169,249 | (2,475,925) |
| Investment return | | 55,718,582 | 21,858,212 |
| Net finance expenses from insurance contracts | 5(A) | (53,438,547) | (2,285,635) |
| Net finance income from reinsurance contracts | 5(A) | 40,722,133 | 4,454,493 |
| Net financial result | | 43,002,168 | 24,027,070 |
| Other income | 6 | 7,007,106 | 3,655,595 |
| Other operating expenses | 7 | — | — |
| Other finance costs | 8 | (5,410,850) | (7,417,583) |
| Profit before tax | | 161,482,676 | 148,294,729 |
| Income tax expense | 9 | (21,960,324) | (22,079,000) |
| Profit for the year | | 139,522,352 | 126,215,729 |

* Comparative numbers are restated due to adoption of FRS 117. Refer Note 2.2

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

MS FIRST CAPITAL INSURANCE LIMITED**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME***For the financial year ended 31 December 2023*

| | Note | 2023 | 2022 |
|---|-------------|--------------------|------------------|
| | | \$ | Restated* |
| | | | \$ |
| Profit for the year | | 139,522,352 | 126,215,729 |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Debt investments at FVOCI | | | |
| Net change in fair value | 16 | 20,722,341 | (48,512,103) |
| Net amount reclassified to profit or loss | 16 | 4,748,119 | 1,846,158 |
| Related income tax | 9(C) | (4,328,700) | 7,932,700 |
| Other comprehensive income for the year, net of tax | | 21,141,760 | (38,733,245) |
| Total comprehensive income for the year | | 160,664,112 | 87,482,484 |

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

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION

For the financial year ended 31 December 2023

| | Note | 31/12/2023 | 31/12/2022 | 01/01/2022 |
|-------------------------------------|-------------|----------------------|----------------------|----------------------|
| | | \$ | Restated | Restated |
| | | \$ | \$ | \$ |
| Assets | | | | |
| Cash and cash equivalents | 10 | 1,405,797,024 | 995,423,372 | 810,586,226 |
| Financial investments | 11 | | | |
| - Measured at FVOCI | | 626,184,809 | 751,637,623 | 803,647,618 |
| - Measured at amortised cost | | 12,320,597 | 6,999,025 | 25,528,801 |
| Derivative assets | 11 | 1,978,916 | 9,501,979 | 40,024 |
| Other receivables | 12 | 28,236,778 | 13,593,406 | 9,141,136 |
| Insurance contract assets | 15 | 561,746,625 | 401,897,206 | 313,181,169 |
| Reinsurance contract assets | 15 | 1,570,263,351 | 1,304,417,156 | 1,154,486,419 |
| Right-of-use assets | 17 | 4,375,778 | 6,023,296 | 627,986 |
| Property and equipment | 13 | 9,862,379 | 9,556,850 | 9,339,349 |
| Deferred tax assets | 9 | 2,957,200 | 8,307,900 | 1,654,200 |
| Total assets | | 4,223,723,457 | 3,507,357,813 | 3,128,232,928 |
| Liabilities | | | | |
| Other payables | 14 | 15,576,393 | 21,859,002 | 18,207,152 |
| Derivative liabilities | 11 | 2,294,949 | 1,151,981 | 35,385 |
| Current tax liabilities | | 24,957,898 | 23,444,674 | 16,958,815 |
| Insurance contract liabilities | 15 | 2,298,936,796 | 1,926,926,847 | 1,715,855,438 |
| Reinsurance contract liabilities | 15 | 644,173,508 | 454,882,467 | 336,477,538 |
| Lease liabilities | 17 | 4,655,220 | 6,302,546 | 648,288 |
| Total liabilities | | 2,990,594,764 | 2,434,567,517 | 2,088,182,616 |
| Equity | | | | |
| Share capital | | 26,500,000 | 26,500,000 | 26,500,000 |
| Retained earnings | 16 | 1,228,556,606 | 1,089,359,969 | 1,017,886,740 |
| Fair value reserve | 16 | (22,177,913) | (43,319,673) | (4,586,428) |
| General reserves | | 250,000 | 250,000 | 250,000 |
| Total equity | | 1,233,128,693 | 1,072,790,296 | 1,040,050,312 |
| Total liabilities and equity | | 4,223,723,457 | 3,507,357,813 | 3,128,232,928 |

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

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2023

| | Note | Share capital | General Reserve | Fair value reserve | Retained earnings | Total |
|---|------|-------------------|-----------------|---------------------|----------------------|----------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2023, as previously reported | | 26,500,000 | 250,000 | (43,319,673) | 1,089,359,969 | 1,072,790,296 |
| Adjustment on initial application of FRS 109, net of tax | | — | — | — | (325,715) | (325,715) |
| Restated balance at 1 January 2023 | | 26,500,000 | 250,000 | (43,319,673) | 1,089,034,254 | 1,072,464,581 |
| Total comprehensive income for the year (restated) | | | | | | |
| Profit for the year | | — | — | — | 139,522,352 | 139,522,352 |
| Other comprehensive income for the year | 16 | — | — | 21,141,760 | — | 21,141,760 |
| Total comprehensive income for the year (restated) | | — | — | 21,141,760 | 139,522,352 | 160,664,112 |
| Transactions with owners of the Company | | | | | | |
| Contributions and distributions | | | | | | |
| Dividends | 16 | — | — | — | — | — |
| Restated balance at 31 December 2023 | | 26,500,000 | 250,000 | (22,177,913) | 1,228,556,606 | 1,233,128,693 |

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

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2023

| | Note | Share capital | General Reserve | Fair value reserve | Retained earnings | Total |
|---|------|-------------------|-----------------|---------------------|----------------------|----------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2022, as previously reported | | 26,500,000 | 250,000 | (4,586,428) | 1,030,408,872 | 1,052,572,444 |
| Adjustment on initial application of FRS 117, net of tax | | — | — | — | (6,261,066) | (6,261,066) |
| Restated balance at 1 January 2022 | | 26,500,000 | 250,000 | (4,586,428) | 1,024,147,806 | 1,046,311,378 |
| Total comprehensive income for the year (restated) | | | | | | |
| Profit for the year | | — | — | — | 119,954,663 | 119,954,663 |
| Other comprehensive income for the year | 16 | — | — | (38,733,245) | — | (38,733,245) |
| Total comprehensive income for the year (restated) | | — | — | (38,733,245) | 119,954,663 | 81,221,418 |
| Transactions with owners of the Company | | | | | | |
| Contributions and distributions | | | | | | |
| Dividends | 16 | — | — | — | (54,742,500) | (54,742,500) |
| Restated balance at 31 December 2022 | | 26,500,000 | 250,000 | (43,319,673) | 1,089,359,969 | 1,072,790,296 |

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

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

| | Note | 2023 \$ | 2022 Restated \$ |
|--|------|---------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 139,522,352 | 126,215,729 |
| Adjustments for: | | | |
| - Loss on disposal of financial assets | 5C | 4,748,119 | 1,846,158 |
| - Loss/(Gain) on disposal of property and equipment | 6 | 663 | (1,400) |
| - Depreciation expense on property, plant & equipment | 13 | 547,953 | 495,302 |
| - Depreciation expense on right of use assets | 17 | 1,841,146 | 1,347,044 |
| - Impairment of financial investments - FVOCI | 5 | (169,249) | 2,475,925 |
| - Other finance costs | 8 | 192,823 | 64,143 |
| - Interest revenue | | (78,060,030) | (41,688,247) |
| - Amortisation on FVOCI Bonds | | 5,023,566 | 7,445,096 |
| - Fair value (loss)/gain on financial assets, at fair value through profit or loss | | 950,704 | (14,535,538) |
| - Unrealised currency translation losses on financial investments | | 887,813 | 1,107,555 |
| - Unrealised currency translation losses on cash & cash equivalents | | 8,024,528 | 15,031,625 |
| - Income tax expense | 9 | 21,960,324 | 22,079,000 |
| | | 105,470,712 | 121,882,392 |
| Changes in: | | | |
| - Insurance and reinsurance contracts | | 135,605,378 | 90,829,566 |
| - Receivables | 12 | 2,553,636 | (3,049,562) |
| - Payables | 14 | (498,348) | 100,072 |
| Cash from operating activities | | 243,131,378 | 209,762,468 |
| Interest received | | 37,941,080 | 17,223,653 |
| Interest payment of lease liabilities | 17 | (192,823) | (64,143) |
| Income taxes paid | | (19,373,100) | (14,314,141) |
| Net cash from operating activities | | 261,506,535 | 212,607,837 |

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

MS FIRST CAPITAL INSURANCE LIMITED

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

| | Note | 2023 \$ | 2022 Restated \$ |
|---|------|----------------------|------------------------|
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | 13 | (854,145) | (712,803) |
| Purchases of financial investments | 11 | (137,080,825) | (280,383,497) |
| Proceeds from sale/redemption of financial investments | 11 | 277,136,134 | 272,854,214 |
| Proceeds from cash collateral on derivatives | | (4,603,862) | 5,456,430 |
| Mortgage loans granted | 11 | (5,450,000) | (350,000) |
| Mortgage loan repayments received | | 128,427 | 18,879,777 |
| Interest received | 5 | 22,921,942 | 22,209,315 |
| Derivative financial instruments | | 7,715,327 | 6,190,178 |
| Net cash from investing activities | | 159,912,998 | 44,143,614 |
| Cash flows from financing activities | | | |
| Payment of lease liabilities | 17 | (1,840,954) | (1,088,096) |
| Dividends paid | 16 | – | (54,742,500) |
| Net cash used in financing activities | | (1,840,954) | (55,830,596) |
| Net increase in cash and cash equivalents | | 427,221,484 | 193,277,950 |
| Cash and cash equivalents at 1 January | | 982,110,765 | 803,864,440 |
| Cash collateral at end of the financial year | | 4,489,303 | 5,669,702 |
| Effect of movements in exchange rates on cash and cash equivalents held | | (8,024,528) | (15,031,625) |
| Cash and cash equivalents at 31 December | 10 | 1,405,797,024 | 987,780,467 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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

1. General

The Company is incorporated and domiciled in Singapore. The address of its registered office is 6 Raffles Quay #21-00 Singapore 048580.

The principal activity of the Company consists of the acceptance of general insurance and reinsurance business and performance of investment functions incidental thereto. There have been no significant changes in the nature of these activities during the year.

2. Material accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

This is the first set of the annual financial statements in which FRS 117 Insurance Contracts and FRS 109 Financial Instruments have been applied. The related changes to material accounting policies are described in Note 2.2.

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act 1966. Such assets and liabilities are accounted for in the books of the respective insurance funds established under Section 16 of the Insurance Act. The net assets of the Company held in the insurance funds must be sufficient to meet the solvency requirements stipulated in Section 17 of the Insurance Act at all times. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 16 and the Company continues to be able to meet the solvency requirements of Section 17 of the Insurance Act. All other assets and liabilities are accounted for in the books of the "shareholders' fund".

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement 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 assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Changes in accounting policies

The Company has initially applied FRS 117 and FRS 109, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in this note to all periods presented in these consolidated financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of FRS 117 and FRS 109 are summarised below.

A. FRS 117 Insurance Contracts

I. Recognition, measurement and presentation of insurance contracts

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin.

Under FRS 117, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

The Company applies the Premiums Allocation Approach ("PAA") to simplify the measurement of contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the estimated risk adjustment and claims handling expenses.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

A. FRS 117 Insurance Contracts (continued)

I. Recognition, measurement and presentation of insurance contracts (continued)

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and Other Comprehensive Income ("OCI"). Under FRS 117, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under FRS 117, see Notes 2.3 to 2.9.

II. Transition

Changes in accounting policies resulting from the adoption of FRS 117 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if FRS 117 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if FRS 117 had always been applied.

The Company has applied the transition provisions in FRS 117 and has not disclosed the impact of the adoption of FRS 117 on each financial statement line item. The effects of adopting FRS 117 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

B. FRS 109 Financial Instruments

I. Classification of financial assets

The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 includes three principal measurement categories for financial assets — measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”) — and eliminates the previous FRS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Under FRS 109, derivatives embedded in contracts where the host is a financial asset in the scope of FRS 109 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

In view that a majority of the Company’s financial assets are measured at fair value both before and after transition to FRS 109, the new classification requirements do not have any impact on the Company’s total equity at 1 January 2023 or 2022.

II. Impairment of financial assets

FRS 109 replaces the ‘incurred loss’ model in FRS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Company’s financial assets measured at amortised cost and debt investments at FVOCI.

FRS 109 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

B. FRS 109 Financial Instruments (continued)

II. *Impairment of financial assets (continued)*

- debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- debt securities for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort will be considered. This will include both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

III. *Transition*

Changes in accounting policies resulting from the adoption of FRS 109 will be applied retrospectively with effect from 1 January 2023, except as described below.

- FRS 109 does not apply to financial assets that had already been derecognised at 1 January 2023; and
- The determination of the business model within which a financial asset is held have to be made on the basis of the facts and circumstances that exist at 1 January 2023.

If a financial asset has low credit risk at 1 January 2023, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

Details of the changes and implications resulting from the adoption of FRS 109 are presented in (IV).

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

B. FRS 109 Financial Instruments (continued)

IV. *Effect of initial application*

Classification of financial assets

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Company's financial assets and financial liabilities as at 1 January 2023. There is no change in the carrying amounts arising from the change in classifications.

| | Note | Original Classification under FRS 39 | New Classificat- ion under FRS 109 | Original carrying amount under FRS 39 \$ | New carrying amount under FRS 109 \$ |
|------------------------------|------|--|---|---|---|
| Financial assets | | | | | |
| - Cash and cash equivalents | 10 | Loans and receivables | Amortised Cost | 995,423,372 | 995,423,372 |
| - Financial investments | | | | | |
| Derivative assets | 11 | FVTPL | FVTPL | 9,501,979 | 9,501,979 |
| Government bonds | 11 | Available-for-sale | FVOCI | 244,396,965 | 244,396,965 |
| Corporate bonds | 11 | Available-for-sale | FVOCI | 507,240,658 | 506,862,943 |
| Mortgage loans | 11 | Loans and receivables | Amortised Cost | 6,999,025 | 6,999,025 |
| Financial liabilities | | | | | |
| Derivative liabilities | | FVTPL | FVTPL | 1,151,981 | 1,151,981 |
| | | | | 1,764,713,980 | 1,764,336,265 |

Impairment of financial assets

The following table reconciles the closing impairment allowance under FRS 39 as at 31 December 2022 with the opening loss allowance under FRS 109 as at 1 January 2023.

| | 31-Dec-2022 | | | 01-Jan-2023 |
|---|-------------|------------------|---------------|-------------|
| In S\$ | FRS 39 | Reclassification | Remeasurement | FRS 109 |
| Debt investments at FVOCI under FRS 109 reclassified from available-for-sale under FRS 39 | 5,034,474 | — | 377,715 | 5,412,189 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.3 Insurance and reinsurance contracts - Identification and Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

When identifying contracts, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard.

2.4 Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different lines of business are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The level of aggregation requirements of FRS 117 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contract Service Margin ("CSM"), against losses on groups of onerous contracts, which are recognised immediately.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.5 Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period'.

Insurance Contract

For insurance contracts, cash flows are within the contract boundary if they arise from: -

- i) Substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or
- ii) the Company has a substantive obligation to provide services.

The contract boundary will be determined by considering whichever of (i) or (ii) will result to the longest boundary. For the Company, usually the latter case (ii) applies.

Reinsurance Contracts

The assessment of whether a cash flow is within the contract boundary of the reinsurance contract will be similar to that of the underlying direct contracts.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.6 Measurement

At initial recognition, for groups of contracts measured under the Premium Allocation Approach (“PAA”) that are not onerous, the liability for remaining coverage is measured at the premiums received on initial recognition.

The Company does not elect to recognise insurance acquisition cash flows as expenses when they are incurred, except for directly attributable acquisition cost allocated from expenses. Accordingly, insurance acquisition cash flows will be amortised over time, in the same proportions as premium is earned.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided.

The Company expects that the time between providing each part of the services and the related premium due date will be predominantly no more than a year. Accordingly, as permitted under FRS 117, the Company does not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in “profit or loss” and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Company recognises the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.7 Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- (a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

Insurance service result

For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts is recognized in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts is presented outside the insurance service result.

Amounts recovered from reinsurers and reinsurance expenses is not presented separately in profit or loss and is presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result, but information about these is included in the disclosures.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss is included in the insurance service result.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.8 Transition

Changes in accounting policies resulting from the adoption of FRS 117 has been applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2023 the Company:

- identified, recognised and measured each group of insurance contracts, reinsurance contracts as if FRS 117 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if FRS 117 had always been applied, except that they will not be tested for recoverability before 1 January 2023;

Claims are charged to profit or loss when incurred based on the estimated liability for compensation owed to policyholders or for damage suffered by third party claimants. They comprise direct and indirect claims settlement costs including loss adjustment expenses and professional fees, and arise from events that have occurred up to the reporting date.

Loss reserves and reinsurance and other recoveries are assessed by reviewing individual claims, advice from ceding and broking companies, and making allowance for claims incurred but not reported, taking into consideration foreseeable events, past experience and trends. These loss reserves are reviewed by actuaries. Any reduction or increase in the provision is dealt with in profit or loss in the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in profit or loss in the year in which settlement takes place.

Net claim liabilities is an amount not less than the value of the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before the valuation date), whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims and provision for any adverse deviation from the expected experience.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.9 Property, plant and equipment

(a) *Measurement*

(i) *Land and building*

Land and building are initially recorded at cost. No depreciation is provided on freehold land; however the carrying value is adjusted for any impairment losses. Building are subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | |
|---------------------------|----------|
| Motor vehicles | 8 years |
| Office equipment | 5 years |
| Furniture and fittings | 5 years |
| Building on freehold land | 40 years |

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

(c) *Subsequent expenditure*

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

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.10 Impairment of non-financial assets

Property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of 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 to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease to the extent of any previously recorded revaluation.

An impairment loss for an asset is reversed if, and 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 the 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 any accumulated amortisation or 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, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.11 Financial assets

(a) *Recognition and initial measurement*

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 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 in profit or loss.

(b) *Classification*

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

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

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

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

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

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

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.11 Financial assets (continued)

(b) *Classification* (continued)

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Derivatives embedded in contracts where the host is a financial asset are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(c) *Subsequent measurement*

Financial assets, both fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL") are subsequently carried at fair value. Financial assets at amortised cost are carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at FVTPL are recognised in profit or loss when the changes arise. The effects of currency translation, interest and dividend income are recognised separately in profit or loss.

Interest and dividend income on financial assets, at FVOCI are recognised separately in profit or loss. Changes in the fair values of at FVOCI debt securities denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

Changes in fair values of FVOCI equity securities are recognised in the fair value reserve, together with the related currency translation differences.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.11 Financial assets (continued)

(d) *Impairment*

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- debt securities for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort will be considered. This will include both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.11 Financial assets (continued)

(d) *Impairment* (continue)

Credit-impaired financial assets

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

(e) *Derecognition*

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 sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

2.12 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.13 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.14 Tax

Current 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 reporting date.

Deferred 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 tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

A deferred tax liability is recognised on temporary differences arising on investment in subsidiary, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.14 Tax (continued)

- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred 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. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.15 Provisions

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.16 Employee compensation

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. The Company's contributions are recognised as employee compensation expense when they are due.

Annual Leave

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 reporting date.

2.17 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the Singapore dollar.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences 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 reporting date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.18 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.

2.19 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.20 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.20 Leases (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of 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.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities in the statement of financial position.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.20 Leases (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.21 Government Grants

Government grants related to assets are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are recognized as an offset against staff cost in profit or loss under 'Employee benefit expenses' on a systematic basis over the useful life of the asset.

3. Critical accounting estimates and judgements

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

(a) Insurance liabilities

Assumptions and sensitivities

(i) Process used to decide on assumptions

The major classes of general insurance written by the Company include property, motor, work injury compensation, professional indemnity, marine hull and cargo, and miscellaneous. For general insurance contracts, claims provisions (comprising provision for claims reported by policyholders and claims incurred but not reported ("IBNR")) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The best estimates of the liabilities for incurred claims have been determined from the projected ultimate claims based on different methods, including the incurred loss development, the paid loss development, the Bornhuetter-Ferguson method and/or the expected loss ratio method.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities

(ii) Process used to decide on assumptions

Claims paid and incurred claims net of reinsurance recoveries were obtained for each of the last 12 years, as well as for 2011 and prior, and shown in a triangular form by accident/underwriting year and development year. Ratios of claim amount at successive development years were calculated to build loss development factor triangles.

For direct and facultative business, the incurred loss development method has mainly been used to select the ultimate best estimates for 2020 and prior accident/underwriting years, as the actual claims experience in these periods are generally more stable. For more recent periods (i.e. 2021 to 2023 accident/underwriting years) where there is greater uncertainty, a combination of the claims experience and loss ratio assumptions, such as the Bornhuetter-Ferguson method and the expected loss ratio method, are used. In addition, allowance for late reported large losses based on information provided by the Company and the reporting and development patterns of historical large losses are applied where relevant.

For treaty business where little claim information was available as of the valuation date, greater reliance is placed on the expected loss ratio method for the 2018 to 2023 underwriting years. For 2017 and prior underwriting years where claims experience is generally more stable, a combination of methods, such as the IBNR to case estimates ratios and factor-to-ultimate ratios, are used in selecting the ultimate best estimates.

The claims data includes external claims handling expenses but does not include internal claims handling expenses. A provision for internal claims expenses ("CHE") has been determined for the direct and facultative business, based on the ratio of paid CHE to net average of paid and incurred losses of 13.5%. This CHE percentage was applied to one half of the total of the case reserves plus the IBNR.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

Acquisition expenses are assumed to have been incurred at the date of writing the policy and hence do not form parts of the loss reserving exercise.

Non-reinsurance recoveries, including salvage and subrogation, were not specifically analysed in this valuation. However, they would implicitly be allowed for in the valuation method, where past recovery patterns are assumed to continue into the projected future years.

Inflation of claim amounts payable in the future is implicitly allowed for in the valuation method, where past inflation patterns are assumed to continue into the projected future years. Where appropriate, subjective implicit allowance based on consumer and produce price indices has been made for the potential impact from higher-than-expected future inflation in the assumptions, in particular for Hull and Motor classes.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect to its insurance contracts. Certain assumptions can be expected to impact the actuarial liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The liabilities for remaining coverage ("LFRC") are determined at the profitability grouping level, which is consistent with Statutory class definitions. The LFRC is determined such that the total provision at the profitability grouping level would be sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

The Company uses the bottom-up approach for computation of discount rate consistent with the position taken by the general insurance industry. The bottom-up discount rate comprises of a risk-free discount rate and an illiquidity premium.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

The Company determines risk-free discount rates using the government bond risk free yield curve. The government bond yield curves will be extracted from the relevant source, and linearly interpolated as necessary to reflect the required time intervals. The Company has used the Singapore Government Securities ("SGS") Benchmark Issues yield curve as at 2023 for all classes except for the classes listed below where foreign currency exposure is deemed material and the relevant yield curves are used instead:

- For SIF Hull, OIF Fire, OIF Cargo, OIF Hull and OIF Hull Treaties classes, we have used the United States Treasury yield curve as at 2023.
- For OIF Misc and OIF Motor Treaties classes, we have used the Malaysian Government Securities ("MGS") yield curve as at 2023.

The Company has elected to not hold an illiquidity premium. General insurance contracts have very variable, unpredictable cashflows. Therefore, to generate a yield curve that reflects these cashflows would require a very liquid asset to be selected, so that it can be sold at any point in time in order to meet the liabilities. Given this, using government bond curves to derive the discount rate is an appropriate match for the cashflows in terms of both duration and timing.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

| | 2023 | | | |
|-----|--------|---------|----------|----------|
| | 1 year | 5 years | 10 years | 15 years |
| SGD | 3.75% | 2.68% | 2.71% | 2.71% |
| USD | 4.79% | 3.84% | 3.88% | 3.88% |
| MYR | 3.30% | 3.57% | 3.73% | 3.73% |
| IDR | 6.37% | 6.48% | 6.60% | 6.60% |
| HKD | 3.99% | 2.94% | 3.02% | 3.02% |
| THB | 2.37% | 2.45% | 2.70% | 2.70% |
| PHP | 6.29% | 6.45% | 6.63% | 6.63% |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

| | 2022 | | | |
|-----|--------|---------|----------|----------|
| | 1 year | 5 years | 10 years | 15 years |
| SGD | 4.24% | 2.83% | 3.09% | 3.09% |
| USD | 4.73% | 3.99% | 3.88% | 3.88% |
| MYR | 3.25% | 3.85% | 4.09% | 4.09% |
| IDR | 5.52% | 6.58% | 7.01% | 7.01% |
| HKD | 4.17% | 3.71% | 3.64% | 3.64% |
| THB | 1.37% | 1.96% | 2.64% | 2.64% |
| PHP | 5.55% | 6.62% | 7.27% | 7.27% |

The risk adjustment provision allows for inherent uncertainty of the best estimate of the insurance liabilities. It takes into consideration the variability of claim experience within a class of business (risk adjustment before diversification) and also the diversification between classes of business (diversification allowance).

To estimate the variability around the best estimate, an internal model based on internal company data was used. In deriving the 75th percentile level of sufficiency for the liabilities for incurred claims, a Bootstrap method was used. Bootstrapping procedures are useful when the theoretical distribution of a statistic of interest is complicated or unknown.

The indicated risk adjustment loading for the liabilities for incurred claims is based on the ratio of the 75% estimate to the mean estimate of the total claims reserves from the model. Based on the model output and judgement, the risk adjustment loading is selected for the liabilities for incurred claims.

Whilst there is inherent uncertainty attached to risks in respect to the liabilities for incurred claims, the corresponding risk adjustment for the liabilities for remaining coverage would be subject to a higher level of uncertainty as the claim events relating to unexpired policies have yet to occur. The Company has assumed that the risk adjustment loading for liabilities for remaining coverage is a multiple of the selected risk adjustment loading for liabilities for incurred claims.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies the confidence level technique on both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis

The Company maintains separate insurance funds – SIF and OIF – for each class of insurance business carried on by the Company that relates to Singapore policies and offshore policies, respectively. The Company's insurance liabilities are analysed on a fund level basis i.e. SIF and OIF and not at Company level.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect to its insurance contracts. Certain assumptions can be expected to impact the actuarial liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The following analyses have been prepared for a change in one variable with all other variables remaining constant and ignore changes in values of related assets. The Company recognised that some of the assumptions are interdependent but it will be difficult to analyse such dependencies.

The key assumptions considered in the sensitivity analysis are as follow:

- Initial Expected Loss Ratio ("IELR") for accident/underwriting year 2023; and
- Selected Ultimate Loss Ratio ("ULR") for accident/underwriting year 2023.

The result of the sensitivity analysis (net of reinsurance) and the impact on the liabilities for remaining coverage and incurred claims as at 31 December 2023 are as follows:

Singapore Insurance Fund ("SIF")

| | IELR | | ULR | |
|------------------------------------|--------------|----------------|---------------|-----------------|
| | +15% | -15% | +15% | -15% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2023 | | | | |
| Liabilities for Remaining Coverage | – | – | 2,103 | (3,449) |
| Liabilities for Incurred Claims | 7,024 | (7,024) | 8,984 | (8,984) |
| Total | 7,024 | (7,024) | 11,087 | (12,433) |
| 2022 Restated | | | | |
| Liabilities for Remaining Coverage | – | – | 3,494 | (3,067) |
| Liabilities for Incurred Claims | 5,183 | (5,164) | 8,552 | (8,552) |
| Total | 5,183 | (5,164) | 12,046 | (11,619) |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

Offshore Insurance Fund ("OIF")

| | IELR | | ULR | |
|------------------------------------|---------------|-----------------|---------------|-----------------|
| | +15% | -15% | +15% | -15% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2023 | | | | |
| Liabilities for Remaining Coverage | – | – | 3,568 | (9,237) |
| Liabilities for Incurred Claims | 15,878 | (15,878) | 19,399 | (19,399) |
| Total | 15,878 | (15,878) | 22,967 | (28,636) |
| 2022 Restated | | | | |
| Liabilities for Remaining Coverage | – | – | 5,828 | (5,543) |
| Liabilities for Incurred Claims | 9,386 | (9,386) | 13,031 | (13,031) |
| Total | 9,386 | (9,386) | 18,859 | (18,574) |

The actual loss development on SIF direct and facultative business reserved on an accident year basis was better than expected by \$16.0 million (2022: \$23.2 million). Actual loss development on SIF direct and facultative business reserved on an underwriting year basis was better than expected by \$8.1 million (2022: \$8.5 million). Overall, SIF direct and facultative business reported loss development of \$9.4 million (2022: \$2.2 million), which was better than the expected loss development of \$33.5 million by \$24.1 million (2022: \$34.0 million by \$31.7 million). For more homogenous grouping of business, specific motor fleet programs, as well as Law Society professional indemnity direct business, are separated out from Motor and Miscellaneous lines respectively and analysed on an underwriting year basis. For SIF Inward Treaties and Runoff business, ultimate loss estimates are lower by \$15.5 million (2022: \$1.1 million).

The ultimate loss estimates on SIF business for this year's valuation are lower than last year's by \$32.9 million (2022: \$25.2 million), stemming from decreases in most prior years.

The actual loss development on OIF direct and facultative business was total savings of \$1.2 million (2022: \$10.4 million), which was better than expected loss development of \$30.1 million by \$31.3 million (2022: \$25.9 million by \$15.6 million). For OIF Inward Treaties and Runoff Business, ultimate loss estimates are lower by \$3.6 million (2022: \$3.8 million).

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

The ultimate loss estimates on OIF business for this year's valuation are lower than last year's by \$26.0 million (2022: \$15.9 million), also stemming from decreases in most of prior years.

(b) Investments in financial assets

Impairment of financial assets

The determination of impairment requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook of the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Taxes

The Company is subject to Singapore income tax laws. Judgment is involved in determining the Company's provision for income taxes. The Company recognises liabilities for tax based on estimates. For these estimates the ultimate tax determination is based on the final assessment. Where the final assessment is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Insurance revenue

The Company's insurance revenue of \$1,012,775,229 (2022: \$830,913,998) is measured under the Premium Allocation Approach ("PAA").

5. Net financial result

The following tables analyses the Company's financial results in profit or loss and OCI.

| | Note | 2023 \$ | 2022 Restated \$ |
|---|-------|---------------------|------------------------|
| Investment return | | | |
| Interest revenue calculated using the effective interest method | (B) | 73,036,464 | 34,243,151 |
| Other investment revenue | (C) | (17,022,175) | (9,107,308) |
| Reversal/(Provision) of impairment loss on financial assets | | 169,249 | (2,475,925) |
| Investment expenses | | (464,956) | (801,706) |
| Amounts recognised in OCI | | 25,470,460 | (46,665,945) |
| Total investment return | | 81,189,042 | (24,807,733) |
| Net finance expenses from insurance contracts | | | |
| Interest accreted | 15(A) | (59,351,994) | (9,804,242) |
| Net foreign exchange gain / (loss) | 15(A) | 5,913,447 | 7,518,607 |
| Total net finance expenses from insurance contracts | (A) | (53,438,547) | (2,285,635) |
| Net finance income from reinsurance contracts | | | |
| Interest accreted | 15(A) | 41,921,288 | 6,083,719 |
| Net foreign exchange gain / (loss) | 15(A) | (1,199,155) | (1,629,226) |
| Total net finance income from reinsurance contracts | (A) | 40,722,133 | 4,454,493 |
| Total | | 68,472,628 | (22,638,875) |
| Represented by: | | | |
| Amounts recognised in profit or loss | | 43,002,168 | 24,027,070 |
| Amounts recognised in OCI | | 25,470,460 | (46,665,945) |
| | | 68,472,628 | (22,638,875) |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5. Net financial result (continued)

| | 2023 | 2022 |
|---|---------------------|-----------------|
| | \$ | Restated |
| | | \$ |
| A. Insurance finance income and expenses | | |
| <i>Net finance expenses from insurance contracts</i> | | |
| Recognised in profit or loss | (53,438,547) | (2,285,635) |
| <i>Net finance income from reinsurance contracts</i> | | |
| Recognised in profit or loss | 40,722,133 | 4,454,493 |
| B. Interest revenue calculated using the effective interest method | | |
| | 2023 | 2022 |
| | \$ | Restated |
| | | \$ |
| Debt investments measured at FVOCI | | |
| Government bonds | 3,500,577 | 2,654,885 |
| Other debt securities | 12,860,815 | 12,023,816 |
| | 16,361,392 | 14,678,701 |
| Financial assets measured at amortised cost | | |
| Cash and cash equivalents | 56,098,850 | 19,030,766 |
| Other debt securities | 576,222 | 533,684 |
| | 56,675,072 | 19,564,450 |
| | 73,036,464 | 34,243,151 |

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023*

5. Net financial result (continued)**C. Other investment revenue**

| | 2023 | 2022 |
|--|---------------------|-----------------|
| | \$ | Restated |
| | | \$ |
| <i>Net (losses)/gains on financial instruments mandatorily measured at FVTPL</i> | | |
| Derivatives | (950,704) | 14,535,538 |
| Interest expense cash collateral on derivatives | (1,872) | (14,385) |
| Net loss on sale of debt securities measured at FVOCI | (4,748,119) | (1,846,158) |
| Net foreign exchange loss on financial investments not measured at FVTPL | (11,321,480) | (21,782,303) |
| | (17,022,175) | (9,107,308) |

6. Other income

| | 2023 | 2022 |
|--|------------------|-----------------|
| | \$ | Restated |
| | | \$ |
| Brokerage income | 923,050 | 1,843,587 |
| (Loss)/Gain on disposal of property, plant & equipment | (663) | 1,400 |
| Allowance for impairment of receivables | (8,454) | (19,655) |
| Service fee income | 1,668,139 | 1,469,303 |
| Miscellaneous income | 4,425,034 | 360,960 |
| | 7,007,106 | 3,655,595 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. Expenses

| | Note | 2023 \$ | 2022 Restated \$ |
|---|-------|----------------------|------------------------|
| Claims and benefits | | 491,021,076 | 385,265,643 |
| Fees and commissions | | 160,791,537 | 127,655,568 |
| (Reversal of losses) / Losses on onerous insurance contracts | 15(A) | (7,049,653) | 2,644,847 |
| Employee benefits | 7(A) | 25,138,827 | 22,279,077 |
| Depreciation expense on property, plant & equipment | 13 | 547,953 | 495,302 |
| Depreciation expense on right of use assets | 17 | 1,841,146 | 1,347,044 |
| Other expenses | 7(B) | 3,229,965 | 3,235,969 |
| | | 675,520,851 | 542,923,450 |
| Amounts attributed to insurance acquisition cash flows incurred during the year | 15(A) | (165,444,650) | (131,633,609) |
| Amortisation of insurance acquisition cash flows | 15(A) | 151,809,995 | 120,291,377 |
| | | 661,886,196 | 531,581,218 |
| Represented by: | | | |
| Insurance service expenses | 15(A) | 661,886,196 | 531,581,218 |
| Other operating expenses | | — | — |
| | | 661,886,196 | 531,581,218 |

A. Employee benefit expenses

| | 2023 \$ | 2022 Restated \$ |
|--|-------------------|------------------------|
| Wages and salaries | 22,334,119 | 20,304,536 |
| Other benefits | 1,155,390 | 701,539 |
| Government grants | (94,230) | (433,965) |
| Employer's contribution to defined contribution plans including Central Provident Fund | 1,743,548 | 1,706,967 |
| | 25,138,827 | 22,279,077 |

B. Other expenses

Other expenses include the following: -

| | 2023 \$ | 2022 Restated \$ |
|---|----------------|------------------------|
| a) Audit fee paid to auditor of the Company | 501,350 | 283,000 |
| b) Non-audit fees paid to: - | | |
| - auditor of the Company and other firms affiliated with KPMG International Limited | — | 29,000 |
| c) Directors' Fee | 225,000 | 225,000 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. Other finance cost

| | 2023 \$ | 2022 Restated \$ |
|---|--------------------|------------------------|
| Interest expenses on lease liabilities | (192,823) | (64,143) |
| Net foreign exchange loss on financial assets and liabilities | (5,218,027) | (7,353,440) |
| | (5,410,850) | (7,417,583) |

9. Tax expense

A. Amount recognised in profit or loss

| | 2023 \$ | 2022 Restated \$ |
|---|-------------------|------------------------|
| Tax expense attributable to profit is made up of: | | |
| Current tax expense | | |
| Current income tax – Singapore | 20,950,000 | 20,800,000 |
| Over-provision in prior financial year | (63,676) | – |
| | 20,886,324 | 20,800,000 |
| Deferred tax expense | | |
| Tax on profit accounted under FRS 117/109 | 1,074,000 | 1,279,000 |
| Total income tax expense | 21,960,324 | 22,079,000 |

B. Reconciliation of effective tax rate

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

| | 2023 \$ | 2022 Restated \$ |
|---|--------------------|------------------------|
| Profit before tax | 161,482,676 | 148,294,729 |
| Tax calculated at a tax rate of 17% (2022: 17%) | 27,452,055 | 25,210,104 |
| Effects of: | | |
| - Income not taxable for tax purposes | 64,224 | 2,141 |
| - Effect of income taxed at rate of 10% (2022: 10%) | (8,678,040) | (8,168,361) |
| - Singapore statutory stepped income exemption | (17,425) | (17,425) |
| - Over-provision in prior financial year | (63,676) | – |
| - Others | 3,203,186 | 5,052,541 |
| | 21,960,324 | 22,079,000 |

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***9. Tax expense (continued)**

Pursuant to Section 43C of the Singapore Income Tax Act 1947, qualifying income is subject to the tax concessionary rate of 10% instead of the standard rate of 17%.

The Company's tax liabilities have been measured based on the corporate tax rate and tax laws prevailing at reporting date. Up till year 2022, income tax assessed by the Inland Revenue Authority of Singapore ("IRAS") was based on insurer's audited financial statements prepared under FRS 104 for the accounting of insurance contracts. Arising from the implementation of new accounting standard FRS 117 which replaces FRS 104 with effect from 1 January 2023, the IRAS has announced that insurers in Singapore are to use financial results prepared on the basis of MAS Insurance Regulations as the basis for tax computation, i.e. based on MAS Statutory Returns.

The Company expects that income tax assessed based on the MAS Statutory Returns will result in provision of deferred tax expense.

C. Movement in deferred tax balances

| | Accelerated tax depreciation | Fair value gains | Tax on profit under FRS 117/109 | Total |
|--|------------------------------------|---------------------|--|--------------------|
| 2023 | | | | |
| Beginning of financial year | (170,000) | 8,871,900 | (394,000) | 8,307,900 |
| Adjustment in respect of ECL under FRS 109 and FRS 117 | – | – | 52,000 | 52,000 |
| Credited to: | | | | |
| - Profit and loss | – | – | (1,074,000) | (1,074,000) |
| - OCI | – | (4,328,700) | – | (4,328,700) |
| End of financial year | (170,000) | 4,543,200 | (1,416,000) | 2,957,200 |
| 2022 (Restated) | | | | |
| Beginning of financial year | (170,000) | 939,200 | 885,000 | 1,654,200 |
| Credited to: | | | | |
| - Profit and loss | – | – | (1,279,000) | (1,279,000) |
| - OCI | – | 7,932,700 | – | 7,932,700 |
| End of financial year | (170,000) | 8,871,900 | (394,000) | 8,307,900 |

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***10. Cash and cash equivalents**

| | 2023 \$ | 2022 Restated \$ |
|--------------------------|-----------------------------|------------------------|
| Cash at bank and on hand | 13,340,279 | 33,682,934 |
| Short-term bank deposits | 1,392,456,745 | 961,740,438 |
| | <u>1,405,797,024</u> | <u>995,423,372</u> |

Included in the Company's cash at bank and on hand is \$4,489,303 (2022: \$5,669,702) of cash collateral collected from policy holders as required under the terms of the insurance contracts.

Short-term bank deposits at the reporting date had maturity ranging between 1 – 12 months (2022: 1 – 6 months) from the end of the financial year with the following weighted average effective interest rates:

| | 2023 | 2022 |
|----------------------|---------------------|--------------|
| Singapore Dollar | 4.12% | 3.64% |
| United States Dollar | 5.94% | 4.80% |
| Others | <u>3.42%</u> | <u>2.59%</u> |

11. Financial investments and derivatives

Financial investments are analysed as follows:

| | 2023 \$ | 2022 Restated \$ |
|------------------------------------|---------------------------|------------------------|
| Financial investments | | |
| - Derivatives assets | 1,978,916 | 9,501,979 |
| - Government bonds at FVOCI | 204,164,415 | 244,396,965 |
| - Corporate bonds at FVOCI | 422,020,394 | 507,240,658 |
| - Mortgage loans at amortised cost | 12,320,597 | 6,999,025 |
| Total | <u>640,484,322</u> | <u>768,138,627</u> |
| Derivative liabilities | <u>2,294,949</u> | <u>1,151,981</u> |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial investments and derivatives (continue)

The following table sets out the carrying amounts of financial investments and derivatives expected to be recovered or settled more than 12 months after the reporting date.

| | 2023 \$ | 2022 Restated \$ |
|----------------------------|---------------------------|------------------------|
| Measured at FVOCI | 527,106,176 | 649,592,823 |
| Measured at amortised cost | 4,070,597 | 6,999,025 |
| Total | <u>531,176,773</u> | <u>656,591,848</u> |

12. Other receivables

| | 2023 \$ | 2022 Restated \$ |
|--|--------------------------|------------------------|
| Deposits | 728,399 | 718,749 |
| Accrued interest | 25,443,089 | 8,246,081 |
| Prepayments | 337,185 | 297,872 |
| Other receivables due from holding company | 76,288 | 84,794 |
| Other receivables | 1,651,817 | 4,245,910 |
| | <u>28,236,778</u> | <u>13,593,406</u> |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

13. Property, plant and equipment

| | Motor vehicles | Office equipment | Furniture and fittings | Building | Land | Total |
|---------------------------------|-------------------|---------------------|------------------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| At 1 January 2022 | 429,999 | 2,626,209 | 1,127,194 | 2,350,000 | 7,264,164 | 13,797,566 |
| Additions | – | 199,713 | 513,090 | – | – | 712,803 |
| Disposals | – | (61,395) | (257,040) | – | – | (318,435) |
| At 31 December 2022 | 429,999 | 2,764,527 | 1,383,244 | 2,350,000 | 7,264,164 | 14,191,934 |
| At 1 January 2023 | 429,999 | 2,764,527 | 1,383,244 | 2,350,000 | 7,264,164 | 14,191,934 |
| Additions | – | 412,084 | 442,061 | – | – | 854,145 |
| Disposals | – | (1,153,359) | (502,128) | – | – | (1,655,487) |
| At 31 December 2023 | 429,999 | 2,023,252 | 1,323,177 | 2,350,000 | 7,264,164 | 13,390,592 |
| Accumulated depreciation | | | | | | |
| At 1 January 2022 | 184,861 | 2,047,993 | 1,109,113 | 1,116,250 | – | 4,458,217 |
| Depreciation for the year | 45,273 | 367,830 | 23,449 | 58,750 | – | 495,302 |
| Disposals | – | (61,395) | (257,040) | – | – | (318,435) |
| At 31 December 2022 | 230,134 | 2,354,428 | 875,522 | 1,175,000 | – | 4,635,084 |
| At 1 January 2023 | 230,134 | 2,354,428 | 875,522 | 1,175,000 | – | 4,635,084 |
| Depreciation for the year | 45,273 | 320,380 | 123,550 | 58,750 | – | 547,953 |
| Disposals | – | (1,152,696) | (502,128) | – | – | (1,654,824) |
| At 31 December 2023 | 275,407 | 1,522,112 | 496,944 | 1,233,750 | – | 3,528,213 |
| Carrying amount | | | | | | |
| 1 January 2022 | 245,138 | 578,216 | 18,081 | 1,233,750 | 7,264,164 | 9,339,349 |
| 31 December 2022 | 199,865 | 410,099 | 507,722 | 1,175,000 | 7,264,164 | 9,556,850 |
| 31 December 2023 | 154,592 | 501,140 | 826,233 | 1,116,250 | 7,264,164 | 9,862,379 |

The fair value of the office building for the Company as at 31 December 2023 was approximately \$30,500,000 (2022: \$30,000,000). The property of the Company was valued by an independent professional valuer based on the property highest-and-best use using the sales comparison approach as at 31 December 2023. Under the sales comparison approach, the recent sale prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location, condition of the properties. The most significant input into this valuation approach is selling price per square foot.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

14. Other payables

| | 2023 \$ | 2022 Restated \$ |
|--|-------------------|------------------------|
| Cash collateral | 4,489,303 | 5,669,702 |
| Cash collateral pledged by counterparties of derivative assets | – | 4,603,862 |
| Accrued operating expenses | 3,543,801 | 2,658,196 |
| Amount due to related companies | 639,656 | 379,060 |
| Other creditors | 6,903,633 | 8,548,182 |
| | 15,576,393 | 21,859,002 |

15. Insurance and reinsurance contracts

| | Note | 2023 \$ | 2022 Restated \$ |
|---|------|---------------|------------------------|
| Insurance contracts | | | |
| - Insurance contract liabilities ¹ | (A) | 2,298,936,796 | 1,926,926,847 |
| - Insurance contract assets ² | (A) | (561,746,625) | (401,897,206) |
| Reinsurance contracts | | | |
| - Reinsurance contract assets ³ | (A) | 1,570,263,351 | 1,304,417,156 |
| - Reinsurance contract liabilities ⁴ | (A) | (644,173,508) | (454,882,467) |

A. Movements in insurance and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI.

¹ – This number represents a 'Liability'. Presentation is consistent with that in table under 15(A)

² – This number represents an 'Asset'. Presentation is consistent with that in table under 15(A)

³ – This number represents an 'Asset'. Presentation is consistent with that in table under 15(A)

⁴ – This number represents a 'Liability'. Presentation is consistent with that in table under 15(A)

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

A. Movements in insurance and reinsurance contract balances (continued)

| <u>Insurance Contracts</u> <u>2023</u> | Note | <u>Liabilities for remaining coverage</u> | | <u>Liabilities for Incurred claims*</u> | <u>Total</u> |
|--|------|---|-----------------------|---|---------------|
| | | <u>Excluding Loss component</u> | <u>Loss component</u> | | |
| | | \$ | \$ | \$ | \$ |
| Opening Assets | | (398,828,545) | – | (3,068,661) | (401,897,206) |
| Opening liabilities | | 438,224,027 | 51,429,200 | 1,437,273,620 | 1,926,926,847 |
| Changes in the statement of profit or loss | | | | | |
| Insurance revenue | 4 | 1,012,775,229 | – | – | 1,012,775,229 |
| Insurance service expenses | | | | | |
| Incurred claims and other insurance service expenses | | – | – | 517,125,854 | 517,125,854 |
| Amortisation of insurance acquisition cash flows | 7 | 151,809,995 | – | – | 151,809,995 |
| Losses and reversals of losses on onerous contracts | 7 | – | (7,049,653) | – | (7,049,653) |
| Net Insurance service expenses | | 151,809,995 | (7,049,653) | 517,125,854 | 661,886,196 |
| Insurance service result | | 860,965,234 | 7,049,653 | (517,125,854) | 350,889,033 |
| Net finance expenses from insurance contracts | 5 | – | – | (59,351,994) | (59,351,994) |
| Effect of movements in exchange rates | 5 | 5,361,343 | 552,104 | – | 5,913,447 |
| Total changes in the statement of profit and loss | | 866,326,577 | 7,601,757 | (576,477,848) | 297,450,486 |
| Cash flows | | | | | |
| Premiums received (net of commission) | | 1,034,679,126 | – | – | 1,034,679,126 |
| Claims and other insurance service expenses paid | | – | – | (359,623,460) | (359,623,460) |
| Insurance acquisition cash flows | 7 | (165,444,650) | – | – | (165,444,650) |
| Total cash flows | | 869,234,476 | – | (359,623,460) | 509,611,016 |
| Net Closing Balance | | 42,303,381 | 43,827,443 | 1,651,059,347 | 1,737,190,171 |
| Closing Assets | | (558,316,959) | – | (3,429,666) | (561,746,625) |
| Closing liabilities | | 600,620,340 | 43,827,443 | 1,654,489,013 | 2,298,936,796 |
| Net closing balance | | 42,303,381 | 43,827,443 | 1,651,059,347 | 1,737,190,171 |

* Includes risk adjustment for non-financial risk

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

A. Movements in insurance and reinsurance contract balances (continued)

| <u>Insurance Contracts</u> <u>2022 Restated</u> | Note | <u>Liabilities for remaining coverage</u> | | <u>Liabilities for</u> <u>Incurred claims*</u> | <u>Total</u> |
|--|------|---|-----------------------|---|---------------|
| | | <u>Excluding Loss</u> <u>component</u> | <u>Loss component</u> | | |
| | | \$ | \$ | \$ | \$ |
| Opening Assets | | (304,932,569) | — | (8,248,600) | (313,181,169) |
| Opening liabilities | | 359,041,466 | 49,822,896 | 1,306,991,076 | 1,715,855,438 |
| Changes in the statement of profit or loss | | | | | |
| Insurance revenue | 4 | 830,913,998 | — | — | 830,913,998 |
| Insurance service expenses | | | | | |
| Incurred claims and other insurance service expenses | | — | — | 408,644,994 | 408,644,994 |
| Amortisation of insurance acquisition cash flows | 7 | 120,291,377 | — | — | 120,291,377 |
| Losses and reversals of losses on onerous contracts | 7 | — | 2,644,847 | — | 2,644,847 |
| Net Insurance service expenses | | 120,291,377 | 2,644,847 | 408,644,994 | 531,581,218 |
| Insurance service result | | 710,622,621 | (2,644,847) | (408,644,994) | 299,332,780 |
| Net finance expenses from insurance contracts | 5 | — | — | (9,804,242) | (9,804,242) |
| Effect of movements in exchange rates | 5 | 6,480,065 | 1,038,543 | — | 7,518,608 |
| Total changes in the statement of profit and loss | | 717,102,686 | (1,606,304) | (418,449,236) | 297,047,146 |
| Cash flows | | | | | |
| Premiums received (net of commission) | | 834,022,880 | — | — | 834,022,880 |
| Claims and other insurance service expenses paid | | — | — | (282,986,753) | (282,986,753) |
| Insurance acquisition cash flows | 7 | (131,633,609) | — | — | (131,633,609) |
| Total cash flows | | 702,389,271 | — | (282,986,753) | 419,402,518 |
| Net Closing Balance | | 39,395,482 | 51,429,200 | 1,434,204,959 | 1,525,029,641 |
| Closing Assets | | (398,828,545) | — | (3,068,661) | (401,897,206) |
| Closing liabilities | | 438,224,027 | 51,429,200 | 1,437,273,620 | 1,926,926,847 |
| Net closing balance | | 39,395,482 | 51,429,200 | 1,434,204,959 | 1,525,029,641 |

* Includes risk adjustment for non-financial risk

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

A. Movements in insurance and reinsurance contract balances (continued)

| Reinsurance Contracts 2023 | Note | Assets for remaining coverage | | Asset for Incurred claims* | Total |
|--|------|-------------------------------|---------------|-------------------------------|---------------|
| | | Excluding Loss Recovery | Loss Recovery | | |
| | | \$ | \$ | \$ | \$ |
| Opening Assets | | 308,877,913 | 36,098,184 | 959,441,059 | 1,304,417,156 |
| Opening liabilities | | (454,882,467) | – | – | (454,882,467) |
| Changes in the statement of profit or loss | | | | | |
| Allocation of reinsurance premiums paid | | 809,827,248 | – | – | 809,827,248 |
| Amounts recoverable from reinsurers | | | | | |
| Recoveries of incurred claims and other insurance service expenses | | – | – | 362,135,308 | 362,135,308 |
| Amortisation of insurance acquisition cash flows | | 224,088,450 | – | – | 224,088,450 |
| Losses and reversals of losses on onerous contracts | | – | (10,401,291) | – | (10,401,291) |
| | | 224,088,450 | (10,401,291) | 362,135,308 | 575,822,467 |
| Net expenses from reinsurance contracts | | 585,738,798 | 10,401,291 | (362,135,308) | 234,004,781 |
| Net finance income from reinsurance contracts | 5 | – | – | (41,921,288) | (41,921,288) |
| Effect of movements in exchange rates | 5 | 1,199,155 | – | – | 1,199,155 |
| Total changes in the statement of profit and loss | | 586,937,953 | 10,401,291 | (404,056,596) | 193,282,648 |
| Cash flows | | | | | |
| Premiums paid | | 751,818,033 | – | – | 751,818,033 |
| Amounts received | | (245,248,357) | – | (236,731,874) | (481,980,231) |
| Total cash flows | | 506,569,676 | – | (236,731,874) | 269,837,802 |
| Net Closing Balance | | (226,372,831) | 25,696,893 | 1,126,765,781 | 926,089,843 |
| Closing Assets | | 417,800,677 | 25,696,893 | 1,126,765,781 | 1,570,263,351 |
| Closing liabilities | | (644,173,508) | – | – | (644,173,508) |
| Net closing balance | | (226,372,831) | 25,696,893 | 1,126,765,781 | 926,089,843 |

* Includes risk adjustment for non-financial risk

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

A. Movements in insurance and reinsurance contract balances (continued)

| Reinsurance Contracts 2022 Restated | Note | Assets for remaining coverage | | Asset for Incurred claims* | Total |
|--|-------------|--------------------------------------|----------------------|-----------------------------------|---------------|
| | | Excluding Loss Recovery | Loss Recovery | | |
| | | \$ | \$ | \$ | \$ |
| Opening Assets | | 251,905,061 | 31,254,759 | 871,326,600 | 1,154,486,420 |
| Opening liabilities | | (336,477,538) | – | – | (336,477,538) |
| Changes in the statement of profit or loss | | | | | |
| Allocation of reinsurance premiums paid | | 655,880,935 | – | – | 655,880,935 |
| Amounts recoverable from reinsurers | | | | | |
| Recoveries of incurred claims and other insurance service expenses | | – | – | 300,732,391 | 300,732,391 |
| Amortisation of insurance acquisition cash flows | | 179,001,986 | – | – | 179,001,986 |
| Losses and reversals of losses on onerous contracts | | – | 4,843,425 | – | 4,843,425 |
| | | 179,001,986 | 4,843,425 | 300,732,391 | 484,577,802 |
| Net expenses from reinsurance contracts | | 476,878,949 | (4,843,425) | (300,732,391) | 171,303,133 |
| Net finance income from reinsurance contracts | 5 | – | – | (6,083,719) | (6,083,719) |
| Effect of movements in exchange rates | 5 | 1,629,226 | – | – | 1,629,226 |
| Total changes in the statement of profit and loss | | 478,508,175 | (4,843,425) | (306,816,110) | 166,848,640 |
| Cash flows | | | | | |
| Premiums paid | | 618,525,869 | – | – | 618,525,869 |
| Amounts received | | (201,449,771) | – | (218,701,651) | (420,151,422) |
| Total cash flows | | 417,076,098 | – | (218,701,651) | 198,374,447 |
| Net Closing Balance | | (146,004,554) | 36,098,184 | 959,441,059 | 849,534,689 |
| Closing Assets | | 308,877,913 | 36,098,184 | 959,441,059 | 1,304,417,156 |
| Closing liabilities | | (454,882,467) | – | – | (454,882,467) |
| Net closing balance | | (146,004,554) | 36,098,184 | 959,441,059 | 849,534,689 |

* Includes risk adjustment for non-financial risk

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

A. Movements in risk adjustment for non-financial risk

| | 2023 | 2022 |
|--|--------------------|-------------|
| | \$ | \$ |
| <u>Insurance Contracts</u> | | |
| Opening liabilities | 163,950,985 | 149,774,391 |
| Incurred claims and other insurance service expenses | 23,964,864 | 12,542,708 |
| Net finance expenses from insurance contracts | 6,828,995 | 1,633,886 |
| Closing liabilities | 194,744,844 | 163,950,985 |
| | | |
| | 2023 | 2022 |
| | \$ | \$ |
| <u>Reinsurance Contracts</u> | | |
| Opening assets | 110,751,452 | 98,308,669 |
| Incurred claims and other insurance service expenses | 25,975,902 | 11,546,464 |
| Net finance expenses from insurance contracts | 4,781,438 | 896,319 |
| Closing assets | 141,508,792 | 110,751,452 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

The table below illustrates how estimates of cumulative claims have developed over time on a gross and net of reinsurance basis. Each table separately shows how the Company's estimates of total claims for each accident and underwriting year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

31 December 2023

Gross (before reinsurance)

| | Direct & Facultative Lines Accident Year Basis | | | | | |
|--|--|---------------|---------------|---------------|--------------|---------------|
| Accident Year | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| Estimates of undiscounted gross cumulative claims | | | | | | |
| At end of accident year | 375,199,091 | 367,579,220 | 515,990,299 | 476,300,869 | 511,719,985 | |
| One year later | 371,322,165 | 342,817,898 | 441,237,113 | 441,135,662 | | |
| Two years later | 355,718,721 | 297,724,634 | 381,663,892 | | | |
| Three years later | 337,976,482 | 267,669,417 | | | | |
| Four years later | 327,975,756 | | | | | |
| Cumulative gross claims paid | (289,517,916) | (167,591,726) | (174,762,246) | (111,358,872) | (43,609,566) | (786,840,326) |
| Gross liabilities – accident years from 2019 to 2023 | 38,457,840 | 100,077,691 | 206,901,646 | 329,776,790 | 468,110,419 | 1,143,324,386 |

| | Direct & Treaty Lines Underwriting Year Basis | | | | | |
|--|---|--------------|--------------|-------------|-------------|---------------|
| Underwriting Year | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| Estimates of undiscounted gross cumulative claims | | | | | | |
| At end of underwriting year | 130,303,790 | 62,729,053 | 45,541,505 | 48,902,482 | 119,721,319 | |
| One year later | 190,043,545 | 110,110,668 | 126,207,640 | 86,956,702 | | |
| Two years later | 235,175,180 | 130,463,408 | 195,144,984 | | | |
| Three years later | 221,121,583 | 131,387,376 | | | | |
| Four years later | 202,983,513 | | | | | |
| Cumulative gross claims paid | (157,138,121) | (63,302,457) | (73,195,944) | (9,816,088) | (1,582,452) | (305,035,062) |
| Gross liabilities – underwriting years from 2019 to 2023 | 45,845,392 | 68,084,919 | 121,949,040 | 77,140,614 | 118,138,867 | 431,158,832 |

| | |
|---|----------------------|
| Gross liabilities – accident and underwriting years from 2018 and before | 101,913,589 |
| Effect of discounting | (98,775,654) |
| Total Insurance Contract liabilities included in actuarial valuation | <u>1,577,621,153</u> |
| Total Insurance Contract liabilities included in the statement of financial position | <u>1,641,634,504</u> |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

31 December 2023

Net of reinsurance

| Accident Year | Direct & Facultative Lines Accident Year Basis | | | | | Total |
|--|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Estimates of undiscounted net cumulative claims | | | | | | |
| At end of accident year | 95,479,683 | 113,221,137 | 125,541,734 | 120,473,016 | 132,182,037 | |
| One year later | 89,951,739 | 95,128,536 | 109,078,476 | 117,203,949 | | |
| Two years later | 83,901,477 | 84,272,040 | 92,981,894 | | | |
| Three years later | 75,962,892 | 75,337,331 | | | | |
| Four years later | 71,763,053 | | | | | |
| Cumulative net claims paid | (61,137,930) | (50,134,682) | (49,434,934) | (36,001,537) | (14,839,837) | (211,548,920) |
| Net liabilities – accident years from 2019 to 2023 | 10,625,123 | 25,202,648 | 43,546,960 | 81,202,412 | 117,342,200 | 277,919,343 |
| | | | | | | |
| Underwriting Year | Direct & Treaty Lines Underwriting Year Basis | | | | | Total |
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Estimates of undiscounted net cumulative claims | | | | | | |
| At end of underwriting year | 83,431,165 | 34,410,390 | 20,038,904 | 25,476,484 | 56,164,960 | |
| One year later | 111,013,993 | 52,917,642 | 48,734,647 | 39,012,065 | | |
| Two years later | 130,249,838 | 55,722,851 | 59,730,357 | | | |
| Three years later | 128,066,734 | 53,478,316 | | | | |
| Four years later | 112,634,287 | | | | | |
| Cumulative net claims paid | (93,408,124) | (27,879,453) | (28,197,622) | (5,615,418) | (590,821) | (155,691,438) |
| Net liabilities – underwriting years from 2019 to 2023 | 19,226,163 | 25,598,863 | 31,532,736 | 33,396,647 | 55,574,139 | 165,328,548 |
| | | | | | | |
| Net liabilities – accident and underwriting years from 2018 and before | | | | | | 39,418,446 |
| Effect of discounting | | | | | | (26,978,339) |
| Total Net liabilities included in actuarial valuation | | | | | | 455,687,997 |
| Total Net liabilities included in the statement of financial position | | | | | | 519,701,348 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

31 December 2022 (Restated)

Gross (before reinsurance)

| | Direct & Facultative Lines Accident Year Basis | | | | | |
|---|--|----------------------|----------------------|----------------------|---------------------|----------------------|
| Accident Year | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| Estimates of undiscounted gross cumulative claims | | | | | | |
| At end of accident year | 256,301,348 | 375,199,091 | 367,579,220 | 515,990,299 | 476,300,869 | |
| One year later | 236,647,800 | 371,322,165 | 342,817,898 | 441,237,113 | | |
| Two years later | 220,574,079 | 355,718,721 | 297,724,634 | | | |
| Three years later | 207,914,559 | 337,976,482 | | | | |
| Four years later | 200,062,934 | | | | | |
| Cumulative gross claims paid | (163,425,539) | (281,052,958) | (151,818,881) | (116,615,915) | (31,895,707) | (744,809,000) |
| Gross liabilities – accident years from 2018 to 2023 | 36,637,395 | 56,923,524 | 145,905,753 | 324,621,198 | 444,405,162 | 1,008,493,032 |
| | | | | | | |
| | Direct & Treaty Lines Underwriting Year Basis | | | | | |
| Underwriting Year | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| Estimates of undiscounted gross cumulative claims | | | | | | |
| At end of underwriting year | 115,097,187 | 130,303,790 | 62,729,053 | 45,541,505 | 48,902,482 | |
| One year later | 158,874,783 | 190,043,545 | 110,110,668 | 126,207,640 | | |
| Two years later | 167,867,532 | 235,175,180 | 130,463,408 | | | |
| Three years later | 175,088,555 | 221,121,583 | | | | |
| Four years later | 165,009,128 | | | | | |
| Cumulative gross claims paid | (130,757,947) | (134,412,587) | (49,266,456) | (20,575,268) | (3,515,026) | (338,527,284) |
| Gross liabilities – underwriting years from 2018 to 2023 | 34,251,181 | 86,708,996 | 81,196,952 | 105,632,372 | 45,387,456 | 353,176,957 |
| | | | | | | |
| Gross liabilities – accident and underwriting years from 2017 and before | | | | | | 110,730,749 |
| Effect of discounting | | | | | | (88,799,213) |
| Total Insurance Contract liabilities included in actuarial valuation | | | | | | 1,383,601,525 |
| Total Insurance Contract liabilities included in the statement of financial position | | | | | | 1,420,544,876 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Insurance and reinsurance contracts (continued)

31 December 2022 (Restated)

Net of reinsurance

| Accident Year | Direct & Facultative Lines Accident Year Basis | | | | | Total |
|--|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Estimates of undiscounted net cumulative claims | | | | | | |
| At end of accident year | 104,607,328 | 95,479,683 | 113,221,137 | 125,541,734 | 120,473,016 | |
| One year later | 92,528,149 | 89,951,739 | 95,128,536 | 109,078,476 | | |
| Two years later | 85,218,777 | 83,901,477 | 84,272,040 | | | |
| Three years later | 78,090,898 | 75,962,892 | | | | |
| Four years later | 73,546,274 | | | | | |
| Cumulative net claims paid | (62,011,477) | (58,521,307) | (46,437,617) | (39,061,149) | (12,864,934) | (218,896,484) |
| Net liabilities – accident years from 2018 to 2023 | 11,534,797 | 17,441,585 | 37,834,423 | 70,017,327 | 107,608,082 | 244,436,214 |
| | | | | | | |
| Underwriting Year | Direct & Treaty Lines Underwriting Year Basis | | | | | Total |
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Estimates of undiscounted net cumulative claims | | | | | | |
| At end of underwriting year | 104,614,717 | 83,431,165 | 34,410,390 | 20,038,904 | 25,476,484 | |
| One year later | 134,462,581 | 111,013,993 | 52,917,642 | 48,734,647 | | |
| Two years later | 137,696,596 | 130,249,838 | 55,722,851 | | | |
| Three years later | 142,760,185 | 128,066,734 | | | | |
| Four years later | 136,522,031 | | | | | |
| Cumulative net claims paid | (110,191,343) | (79,636,164) | (24,221,351) | (9,227,676) | (2,254,410) | (225,530,945) |
| Net liabilities – underwriting years from 2018 to 2023 | 26,330,688 | 48,430,569 | 31,501,500 | 39,506,971 | 23,222,074 | 168,991,802 |
| | | | | | | |
| Net liabilities – accident and underwriting years from 2018 and before | | | | | | 39,861,479 |
| Effect of discounting | | | | | | (24,894,362) |
| Total Net liabilities included in actuarial valuation | | | | | | 428,395,133 |
| Total Net liabilities included in the statement of financial position | | | | | | 465,338,484 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

16. Capital and Reserves

A. Share Capital

The share capital comprises of fully paid-up 25,000,000 (2022: 25,000,000) ordinary shares with no par value, amounting to a total of \$26,500,000 (2022: \$26,500,000).

The holder of ordinary shares are entitled to receive dividend as declared from time to time, and are entitled to one vote per share at the meeting of the Company.

B. Fair value reserves

| | 2023 \$ | 2022 Restated \$ |
|---|---------------------|------------------------|
| Beginning of financial year | (43,319,673) | (4,586,428) |
| Debt investments at FVOCI | | |
| Net change in fair value | 20,722,341 | (48,512,103) |
| Tax on fair value changes | (3,521,500) | 8,246,500 |
| | 17,200,841 | (40,265,603) |
| Net amount reclassified to profit or loss | 4,748,119 | 1,846,158 |
| Tax effect | (807,200) | (313,800) |
| | 3,940,919 | 1,532,358 |
| End of financial year | (22,177,913) | (43,319,673) |

C. Dividends

There was no dividend declared and paid in the year 2023 (2022: \$54,742,500 / 2.1897 dollars per share).

D. Retained earnings

| | 2023 \$ | 2022 Restated \$ |
|---------------------------------|----------------------|------------------------|
| Beginning of financial year | 1,089,359,969 | 1,024,147,806 |
| Adjustment to retained earnings | (325,715) | (6,261,066) |
| Current year profit | 139,522,352 | 126,215,729 |
| Dividend paid | – | (54,742,500) |
| End of financial year | 1,228,556,606 | 1,089,359,969 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

17. Leases

Leases as lessee (FRS 116)

The Company leases properties consisting of office premises and expatriates' housing. The leases typically runs for a period of 2 to 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every 2 to 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets relates to leased properties that do not meet the definition of investment property.

| | Leased premises | |
|----------------------------------|------------------------|-----------------|
| | 2023 | 2022 |
| | \$ | Restated |
| | | \$ |
| Balance at 1 January | 6,023,296 | 627,986 |
| Depreciation charge for the year | (1,841,146) | (1,347,044) |
| Additions to right-of-use assets | 193,628 | 6,742,354 |
| Balance at 31 December | 4,375,778 | 6,023,296 |

Lease liabilities

When measuring lease liabilities for leases that were entered during the year, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 3.8% (2022: 3.7%).

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

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023*

17. Leases (continued)***Amounts recognised in profit or loss***

| | 2023 | 2022 |
|-------------------------------|----------------|-----------------|
| | \$ | Restated |
| | | \$ |
| Interest on lease liabilities | 192,823 | 64,143 |

Amounts recognised in statement of cash flows

| | 2023 | 2022 |
|--------------------------------------|------------------|------------------|
| | \$ | Restated |
| | | \$ |
| Total cash outflow for leases | 2,033,777 | 1,152,239 |

Future minimum rental payments under non-cancellable operating leases are as follows:

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | Restated |
| | | \$ |
| Within one year | 1,932,577 | 1,957,277 |
| After one year but not more than five years | 2,966,291 | 4,771,368 |
| | 4,898,868 | 6,728,645 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk

Exposure to underwriting, credit, market, liquidity and capital risks arise in the normal course of business. The management of these risks is discussed below:

The Company is a Singapore based direct insurer. The table below sets out the composition of insurance revenue for the current year by class of business.

| | Singapore | Overseas |
|------------------------|------------|------------|
| | % | % |
| 2023 | | |
| Marine Cargo | 5 | 1 |
| Marine Hull & Aviation | 8 | 10 |
| Property | 48 | 75 |
| Motor | 6 | 1 |
| Engineering | 7 | 6 |
| Employer's Liability | 10 | 0 |
| Miscellaneous others | 16 | 7 |
| | 100 | 100 |
| 2022 | | |
| Marine Cargo | 5 | 1 |
| Marine Hull & Aviation | 10 | 12 |
| Property | 39 | 74 |
| Motor | 8 | 1 |
| Engineering | 8 | 5 |
| Employer's Liability | 13 | 0 |
| Miscellaneous others | 17 | 7 |
| | 100 | 100 |

The Company's overall business strategy, its tolerance of risks and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(a) Underwriting risk

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the Company having either received insufficient premiums for the risks it has agreed to underwrite and hence not having adequate funds to invest and pay claims. The Company seeks to minimise underwriting risks with a balanced mix and spread of classes of business and by observing underwriting guidelines and limits, and high standards applied to the security of reinsurers. The Company adopted the Company's certifying actuary's view on its liability for incurred claims and liability for remaining coverage at reporting date.

The table below sets out the concentration of the liability for incurred claims and liability for remaining coverage (in percentage terms) at the reporting date:

| | Liability for incurred claims - Gross % | Liability for incurred claims - Net % | Liability for remaining coverage (excl. loss component) - Gross % | Liability for remaining coverage (excl. loss component) - Net % |
|---------------------------|---|---|--|--|
| 2023 | | | | |
| Marine Cargo | 2 | 1 | 1 | 1 |
| Marine Hull & Aviation | 15 | 19 | 6 | 9 |
| Property | 53 | 31 | 60 | 55 |
| Motor | 7 | 16 | 1 | 3 |
| Engineering | 8 | 3 | 20 | 11 |
| Employer's Liability | 4 | 10 | 1 | 3 |
| Miscellaneous others | 11 | 20 | 11 | 18 |
| | 100 | 100 | 100 | 100 |

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023*

18. Management of insurance and financial risk (continued)*(a) Underwriting risk (continued)*

| | Liability for incurred claims - Gross % | Liability for incurred claims - Net % | Liability for remaining coverage (excl. loss component) - Gross % | Liability for remaining coverage (excl. loss component) - Net % |
|---------------------------|---|--|--|--|
| 2022 | | | | |
| Marine Cargo | 2 | 1 | 1 | 1 |
| Marine Hull & Aviation | 15 | 19 | 9 | 13 |
| Property | 49 | 26 | 55 | 50 |
| Motor | 9 | 20 | 2 | 4 |
| Engineering | 8 | 3 | 21 | 12 |
| Employer's Liability | 5 | 10 | 2 | 5 |
| Miscellaneous others | 12 | 21 | 10 | 15 |
| | <hr/> 100 | <hr/> 100 | <hr/> 100 | <hr/> 100 |

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties by reviewing credit grades provided by rating agencies and other publicly available financial information. The exposure to individual counterparties is managed by monitoring the payment history for significant contract holders with whom the Company regularly transacts. The exposure to individual counterparties is also managed by other mechanisms, such as, withholding premiums deposits and the right to offset where counterparties are both debtors and creditors of the Company.

| | AAA \$ | AA \$ | A \$ | BBB \$ | BB \$ | Not rated / analysed \$ | Total \$ |
|----------------------------------|--------------------|--------------------|----------------------|--------------------|-------------------|-------------------------------|----------------------|
| 2023 | | | | | | | |
| Cash and cash equivalents | – | 32,519,335 | 1,129,851,419 | 238,273,899 | – | 5,152,371 | 1,405,797,024 |
| Financial investments: | | | | | | | |
| - Measured at FVOCI [#] | 273,159,181 | 40,973,444 | 100,758,203 | 136,860,470 | 8,488,620 | 66,456,415 | 626,696,333 |
| - Measured at amortised cost | – | – | – | – | – | 12,320,597 | 12,320,597 |
| Derivative assets | – | – | 1,978,916 | – | – | – | 1,978,916 |
| Insurance contract assets | 2,917 | 19,620,667 | 251,760,463 | 19,130,869 | 4,025,837 | 267,205,872 | 561,746,625 |
| Reinsurance Contract assets | 41,250 | 362,157,836 | 1,166,940,682 | 25,176,134 | – | 15,947,449 | 1,570,263,351 |
| Receivables* | 1,881,443 | 410,448 | 20,713,059 | 3,611,817 | 51,534 | 1,231,292 | 27,899,593 |
| | 275,084,791 | 455,681,730 | 2,672,002,742 | 423,053,189 | 12,565,991 | 368,313,996 | 4,206,702,439 |
| 2022 restated | | | | | | | |
| Cash and cash equivalents | – | 71,992,736 | 620,327,263 | 297,773,754 | – | 5,329,619 | 995,423,372 |
| Financial investments: | | | | | | | |
| - Measured at FVOCI [#] | 333,941,414 | 48,268,221 | 128,228,673 | 159,714,223 | – | 81,485,092 | 751,637,623 |
| - Measured at amortised cost | – | – | – | – | – | 6,999,025 | 6,999,025 |
| Derivative assets | – | – | 9,501,979 | – | – | – | 9,501,979 |
| Insurance contract assets | – | 20,361,794 | 164,047,346 | 29,586,738 | 3,268,779 | 184,632,549 | 401,897,206 |
| Reinsurance Contract assets | 35,130 | 296,007,152 | 969,226,606 | 13,390,488 | – | 25,757,780 | 1,304,417,156 |
| Receivables* | 2,480,770 | 492,998 | 4,928,713 | 1,753,403 | – | 3,639,650 | 13,295,534 |
| | 336,457,314 | 437,122,901 | 1,896,260,580 | 502,218,606 | 3,268,779 | 307,843,715 | 3,483,171,895 |

* Excludes prepayments

[#] Before Stage 1 & 2 ECL

Financial assets

- (i) Bank deposits that are mainly deposits with banks which have credit-ratings as determined by international credit-rating agencies. There is no loss allowance on Bank deposits as the Company considers Bank deposits to have very low risk or probability of credit loss.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(b) Credit risk (continued)

Financial assets (continued)

- (ii) Mortgage loans are not exposed to credit risk as these loans are fully collateralised.
- (iii) Debt securities are exposed to credit risk and the Company measures loss allowances on debt securities in accordance with the accounting policy set out in Note 2.12(d).

The following table shows the reconciliations from the opening balance to the closing balance of the loss allowance for debt securities. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in Note 2.12(d).

| | 2023 | | | | 2022 – FRS 39 |
|--|----------------|----------------|------------------|------------------|------------------|
| | Stage 1 \$ | Stage 2 \$ | Stage 3 \$ | Total \$ | Restated \$ |
| Balance at 1 January | – | – | – | – | 2,558,549 |
| Remeasurement on application of FRS109 | 377,715 | – | 5,034,474 | 5,412,189 | – |
| Transfer to Stage 1 | – | – | – | – | – |
| Transfer to Stage 2 | (6,347) | 6,347 | – | – | – |
| Transfer to Stage 3 | – | – | – | – | – |
| Net remeasurement of loss allowance | 48,178 | 144,143 | (303,058) | (110,737) | 2,475,925 |
| New financial assets acquired | 30,141 | – | – | 30,141 | – |
| Financial assets derecognised | (88,652) | – | – | (88,652) | – |
| Balance at 31 December | 361,035 | 150,490 | 4,731,416 | 5,242,941 | 5,034,474 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(c) Market risk

(i) Currency risk

The Company is exposed to foreign exchange rate fluctuations because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks on investments and bank deposits are monitored on an ongoing basis. The exposures to foreign currency risks on insurance policies are reviewed annually. The currency giving rise to this foreign currency risk is primarily the US Dollar.

The table below summarises the Company's exposures to foreign currency exchange rate movements as at 31 December 2023. The Company's assets and liabilities at carrying amounts are included in the table, categorised by currency denomination at their carrying amounts. All the amounts are presented in Singapore Dollars.

| | SGD \$ | Denominated in: USD \$ | Others \$ | Total \$ |
|----------------------------------|------------------------|------------------------------|----------------------|------------------------|
| 2023 | | | | |
| Cash and cash equivalents | 531,383,783 | 582,053,766 | 292,359,475 | 1,405,797,024 |
| Financial investments: | | | | |
| - Measured at FVOCI [#] | 557,925,624 | 68,770,709 | — | 626,696,333 |
| - Measured at amortised cost | 12,320,597 | — | — | 12,320,597 |
| Receivables | 16,624,563 | 11,442,165 | 170,050 | 28,236,778 |
| Derivative assets | 1,978,916 | — | — | 1,978,916 |
| Insurance contract assets | 241,343,023 | 161,568,490 | 158,835,112 | 561,746,625 |
| Reinsurance contract assets | 684,813,830 | 461,519,447 | 423,930,074 | 1,570,263,351 |
| | <u>2,046,390,336</u> | <u>1,285,354,577</u> | <u>875,294,711</u> | <u>4,207,039,624</u> |
| Payables | (15,395,010) | (132,070) | (49,313) | (15,576,393) |
| Insurance contract liabilities | (893,853,953) | (753,742,428) | (651,340,415) | (2,298,936,796) |
| Reinsurance contract liabilities | (553,825,827) | (49,227,660) | (41,120,021) | (644,173,508) |
| Derivatives liabilities | (2,294,949) | — | — | (2,294,949) |
| | <u>(1,465,369,739)</u> | <u>(803,102,158)</u> | <u>(692,509,749)</u> | <u>(2,960,981,646)</u> |
| Net exposure | <u>581,020,597</u> | <u>482,252,419</u> | <u>182,784,962</u> | <u>1,246,057,978</u> |
| 2022 Restated | | | | |
| Cash and cash equivalents | 674,123,564 | 255,503,601 | 65,796,207 | 995,423,372 |
| Financial investments: | | | | |
| - Measured at FVOCI [#] | 662,986,935 | 88,650,688 | — | 751,637,623 |
| - Measured at amortised cost | 6,999,025 | — | — | 6,999,025 |
| Receivables | 10,260,559 | 3,210,565 | 122,282 | 13,593,406 |
| Derivative assets | 3,795,426 | 5,706,553 | — | 9,501,979 |
| Insurance contract assets | 133,773,733 | 143,306,963 | 124,816,510 | 401,897,206 |
| Reinsurance contract assets | 529,445,022 | 387,052,765 | 387,919,369 | 1,304,417,156 |
| | <u>2,021,384,264</u> | <u>883,431,135</u> | <u>578,654,368</u> | <u>3,483,469,767</u> |
| Payables | (16,933,547) | (4,876,142) | (49,313) | (21,859,002) |
| Insurance contract liabilities | (728,892,096) | (648,225,556) | (549,809,196) | (1,926,926,848) |
| Reinsurance contract liabilities | (362,559,719) | (53,463,637) | (38,859,111) | (454,882,467) |
| Derivative liabilities | (852,215) | (299,766) | — | (1,151,981) |
| | <u>(1,109,237,577)</u> | <u>(706,865,101)</u> | <u>(588,717,620)</u> | <u>(2,404,820,298)</u> |
| Net exposure | <u>912,146,687</u> | <u>176,566,034</u> | <u>(10,063,252)</u> | <u>1,078,649,469</u> |

[#] Before Stage 1 & 2 ECL

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

If the foreign currencies exchange rate change against the Singapore dollar by 5% (2022 - 5%), with all other variables including tax rate being held constant, the effects arising from the net position will be as follows:

| | 2023 | Increase /(Decrease) | | 2022 |
|--------------------------------|------------------|----------------------|------------------|-----------------|
| | | 2023 | 2022 | 2022 |
| | <u>Profit</u> | | <u>Restated</u> | <u>Restated</u> |
| | <u>after tax</u> | <u>Equity</u> | <u>Profit</u> | <u>Equity</u> |
| | | | <u>after tax</u> | |
| Foreign currencies against SGD | 5% | 5% | 5% | 5% |
| - Strengthened | 28,264,089 | 28,264,089 | 7,076,368 | 7,076,368 |
| - Weakened | (28,264,089) | (28,264,089) | (7,076,368) | (7,076,368) |

(ii) Price risk

The Company is not exposed to equity price risk as all investments are debt securities.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily arising from its interest-bearing short-term bank deposits, interest-bearing debt securities and interest-bearing loans. Strict investment guidelines are used to monitor the risks in the Company's investments.

The Company manages interest rate risk by matching, where possible, the durations of insurance contracts with fixed term assets and monitors its interest rate risk exposure through periodic reviews of asset and liability positions.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

The tables below set out the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the maturity date.

| | Variable rates | Fixed rates | | | | Non-interest bearing | Total |
|--|-------------------|-----------------------------|----------------------|-----------------------|-----------------------|-------------------------|---------------|
| | Amount \$ | Less than 6 months \$ | 6 to 12 months \$ | 1 to 5 years \$ | Over 5 years \$ | \$ | \$ |
| 2023 | | | | | | | |
| Cash and cash equivalents | – | 1,108,229,800 | 284,226,944 | – | – | 13,340,280 | 1,405,797,024 |
| Financial investments: | | | | | | | |
| - Measured at FVOCI [#] | 87,422,631 | 44,106,857 | 55,483,301 | 313,109,243 | 126,574,301 | – | 626,696,333 |
| - Measured at amortised cost | 11,575,623 | – | – | – | 744,974 | – | 12,320,597 |
| Derivative assets | – | – | – | – | – | 1,978,916 | 1,978,916 |
| Insurance contract assets – Premium receivable balance | – | – | – | – | – | 554,391,688 | 554,391,688 |
| Reinsurance contract assets – Claim recoverable balance | – | – | – | – | – | 4,832,625 | 4,832,625 |
| Receivables | – | – | – | – | – | 28,236,778 | 28,236,778 |
| 2022 Restated | | | | | | | |
| Cash and cash equivalents | – | 961,740,438 | – | – | – | 33,682,934 | 995,423,372 |
| Financial investments: | | | | | | | |
| - Measured at FVOCI | 75,727,315 | 70,501,646 | 31,543,153 | 404,458,229 | 169,407,280 | – | 751,637,623 |
| - Measured at amortised cost | 6,225,624 | – | – | – | 773,401 | – | 6,999,025 |
| Derivative assets | – | – | – | – | – | 9,501,979 | 9,501,979 |
| Insurance contract assets – Premium receivable balance | – | – | – | – | – | 392,594,130 | 392,594,130 |
| Reinsurance contract assets – Claim recoverable balance | – | – | – | – | – | 4,234,667 | 4,234,667 |
| Receivables | – | – | – | – | – | 13,593,406 | 13,593,406 |

[#] Before Stage 1 & 2 ECL

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(c) *Market risk (continued)*

(iii) Interest rate risk (continued)

If interest rates increase by 200 basis points ("bp"), with all other variables including tax rate being held constant, the profit after tax will be higher by \$1,643,371 (2022: \$1,360,419). A 200 bp decrease will have an equal but opposite effect on profit after tax.

Other comprehensive income would have been higher/lower by \$29,458,452 (2022: \$38,382,191) as a result of market value fluctuations on the debt securities portfolio based on the above movements in interest rates.

(d) *Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash and marketable securities to meet normal operating commitments. The Company's cash management process assesses the liquidity of assets held to ensure that assets can be realised on a reasonably timely basis to settle insurance liabilities.

The Company is required to satisfy the solvency requirements prescribed by the Singapore Insurance Act. The Company will assess at each quarter as well as annually whether solvency requirements have been met as part of their reporting process to the Monetary Authority of Singapore, which is the regulatory body for insurance companies in Singapore. Appropriate actions are taken by management to ensure the Company maintains a sound financial position throughout the year and in the long term.

Management believes that the Company's liquid assets and net cash from operations will enable it to meet any foreseeable cash requirements.

The table below provides a maturity analysis of the Group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage have been excluded from this analysis.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(d) Liquidity risk (continued)

| | Carrying amount \$ | Contractual cash flow \$ | Less than 1 year \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ |
|---|--------------------------|--------------------------------|---------------------------|-----------------------------------|-----------------------------------|-----------------------|
| 2023 | | | | | | |
| Payables | 15,576,393 | 15,576,393 | 15,576,393 | – | – | – |
| Lease liabilities # | 4,655,220 | 4,898,868 | 1,932,577 | 1,371,733 | 1,594,558 | – |
| Insurance contracts - liabilities for incurred claims | 1,654,489,013 | 1,654,489,013 | 791,696,578 | 440,399,654 | 367,367,584 | 55,025,197 |
| Insurance contract assets | (561,746,625) | (561,746,625) | (508,656,628) | (22,740,557) | (26,239,029) | (4,110,411) |
| Net | 1,092,742,388 | 1,092,742,388 | 283,039,950 | 417,659,097 | 341,128,555 | 50,914,786 |
| Reinsurance contract – asset for incurred claims | (1,126,765,781) | (1,126,765,781) | (505,218,719) | (320,995,913) | (263,206,981) | (37,344,168) |
| Reinsurance contract liabilities | 644,173,508 | 644,173,508 | 600,640,565 | 18,161,143 | 21,851,386 | 3,520,414 |
| Net | (482,592,273) | (482,592,273) | 95,421,846 | (302,834,770) | (241,355,595) | (33,823,754) |
| 2022 restated | | | | | | |
| Payables | 21,859,002 | 21,859,002 | 21,859,002 | – | – | – |
| Lease liabilities | 6,302,546 | 6,728,645 | 1,957,277 | 1,830,577 | 2,940,791 | – |
| Insurance contracts - liabilities for incurred claims | 1,437,273,621 | 1,437,273,621 | 686,340,193 | 379,235,203 | 327,802,872 | 43,895,353 |
| Insurance contract assets | (401,897,206) | (401,897,206) | (347,393,192) | (18,341,760) | (32,332,817) | (3,829,437) |
| Net | 1,035,376,415 | 1,035,376,415 | 338,947,001 | 360,893,443 | 295,470,055 | 40,065,916 |
| Reinsurance contract – asset for incurred claims | (959,441,059) | (959,441,059) | (437,194,922) | (266,809,600) | (224,016,838) | (31,419,699) |
| Reinsurance contract liabilities | 454,882,467 | 454,882,467 | 424,786,429 | 14,631,452 | 13,783,428 | 1,681,158 |
| Net | (504,558,592) | (504,558,592) | (12,408,493) | (252,178,148) | (210,233,410) | (29,738,541) |

- Contractual cash flow represents the Undiscounted cash flow

(e) Capital risk

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to comply with capital adequacy requirements prescribed by the Singapore Insurance Act as an authorised insurer to carry on insurance business in or from Singapore, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk.

Regulatory capital requirements require the Company to hold assets sufficient to cover liabilities. The Company will assess at each quarter as well as annually whether the capital adequacy requirements as defined by the Singapore Insurance Act have been met as part of their reporting process to the Monetary Authority of Singapore.

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(e) Capital risk (continued)

The table below shows the minimum amount of capital that must be held by the Company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

| | 2023 | 2022 |
|---|------|------|
| Capital Adequacy Ratio Held | 573% | 557% |
| Minimum regulatory Capital Adequacy Ratio | 100% | 100% |

In addition, MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers from time to time. The Company is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2023 and 31 December 2022.

(f) Accounting classifications and fair values

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(f) Accounting classifications and fair values (continued)

| Carrying amount | | | | | | | Fair value | | | |
|--|-------------|---|-------------------------|---|--------------|---------------|---------------|---------------|-------------|-------------|
| Note | FVOCI \$ | Fair value through profit or loss \$ | Amortised Cost \$ | Other financial liabilities \$ | Total \$ | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ | |
| 2023 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| FVOCI debt securities # | 10 | 626,696,333 | – | – | – | 626,696,333 | 610,330,150 | 16,366,183 | – | 626,696,333 |
| Derivative financial instruments | | – | 1,978,916 | – | – | 1,978,916 | – | 1,978,916 | – | 1,978,916 |
| | | 626,696,333 | 1,978,916 | – | – | 628,675,249 | | | | |
| Financial assets not measured at fair value | | | | | | | | | | |
| Mortgage loans | 12 | – | – | 12,320,597 | – | 12,320,597 | – | – | 12,320,597 | 12,320,597 |
| Other receivables* | 11(b) | – | – | 27,899,593 | – | 27,899,593 | | | | |
| Cash and cash equivalents | 9 | – | – | 1,405,797,024 | – | 1,405,797,024 | | | | |
| | | – | – | 1,446,017,213 | – | 1,446,017,213 | | | | |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Other payables | 14(b) | – | – | – | (15,576,393) | (15,576,393) | | | | |

* Excludes prepayments

* Before Stage 1 & 2 ECL

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(f) Accounting classifications and fair values (continued)

| | | Carrying amount | | | | Fair value | | | | |
|--|-------|-----------------|---|-------------------------|---|---------------|---------------|---------------|---------------|-------------|
| | Note | FVOCI \$ | Fair value through profit or loss \$ | Amortised Cost \$ | Other financial liabilities \$ | Total \$ | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| 2022 (Restated) | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| FVOCI debt securities | 10 | 751,637,623 | — | — | — | 751,637,623 | 710,863,688 | 40,773,935 | — | 751,637,623 |
| Derivative financial instruments | | — | 9,501,979 | — | — | 9,501,979 | — | 9,501,979 | — | 9,501,979 |
| | | 751,637,623 | 9,501,979 | — | — | 761,139,602 | | | | |
| Financial assets not measured at fair value | | | | | | | | | | |
| Mortgage loans | 12 | — | — | 6,999,025 | — | 6,999,025 | — | — | 6,999,025 | 6,999,025 |
| Other receivables* | 11(b) | — | — | 13,295,534 | — | 13,295,534 | | | | |
| Cash and cash equivalents | 9 | — | — | 995,423,372 | — | 995,423,372 | | | | |
| | | — | — | 1,015,717,931 | — | 1,015,717,931 | | | | |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Other payables | 14(b) | — | — | — | (21,859,002) | (21,859,002) | | | | |

* Excludes prepayments

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18. Management of insurance and financial risk (continued)

(g) *Measurement of fair values*

(i) Financial instruments measured at fair value

Debt securities

The fair value of financial instruments traded in active markets (such as financial assets at fair value to other comprehensive income ("FVOCI")) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of debt securities classified as financial assets at FVOCI, financial assets at fair value through profit or loss ("FVTPL") and derivative financial instruments (total return swaps) are based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark yields, reported trades and broker-dealer quotes available for these investments. These investments are included in Level 2.

Derivative financial instruments

The fair value of financial derivative instruments for disclosure purposes is estimated based on quoted market prices for dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(ii) Financial instruments not measured at fair value

The fair value of mortgage loans approximates their carrying amount.

19. Immediate and ultimate holding companies

Mitsui Sumitomo Insurance Company, Limited and MS&AD Insurance Company Holdings, Inc. both incorporated in Japan, are the Company's immediate and ultimate holding companies respectively.

MS FIRST CAPITAL INSURANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***20. Related party transactions**

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

(a) Transactions

| | 2023 | 2022 |
|---|--------------------|-------------|
| | \$ | \$ |
| <i>Immediate holding company</i> | | |
| Premiums received/receivable | 12,301,640 | 9,874,708 |
| Commissions paid | (1,209,863) | (1,052,520) |
| Claims paid | (2,301,420) | (68,748) |
| <i>Other related companies</i> | | |
| Premiums received/receivable | 63,094,266 | 48,777,519 |
| Reinsurance premiums paid/payable | (450,962) | (491,246) |
| Commissions received | 75,806 | 80,486 |
| Commissions paid | (9,942,561) | (6,989,246) |
| Claims paid | (1,720,513) | (3,884,571) |
| Claims recovered | 26,647 | 62,368 |
| Management fees | (250,000) | (322,854) |

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

| | 2023 | 2022 |
|--|------------------|-----------|
| | \$ | \$ |
| Salaries and other short-term employee benefits | 5,759,076 | 6,223,516 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 41,351 | 45,258 |
| | 5,800,427 | 6,268,774 |

MS FIRST CAPITAL INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

21. New standards and interpretations not adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

- *Amendment to FRS 1 – Classification of Liabilities as Current or Non-Current*
- *Amendment to FRS 16 – Lease liability in a sale and leaseback*
- *Amendment to FRS 1 – Non-current liability with Covenants*
- *Amendment to FRS 7 – Supplier finance arrangements*
- *Amendment to FRS 21 – Lack of exchangeability*

The application of the amendments to standards are no expected to have material effect on the financial statements of the company in future financial periods.

22. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Directors on 30 April 2024.