ROYALSTAR HOLDINGS LTD.

Consolidated Financial Statements
31 December 2024

Independent auditors' report

To the shareholders of RoyalStar Holdings Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of RoyalStar Holdings Ltd. (the Company) and its subsidiaries (together 'the Group') as at 31 December 2024, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Other matter

This report, including the opinion, has been prepared for and only for the Shareholder in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

7 April 2025

RoyalStar Holdings Ltd.
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As at 31 December 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
ASSETS		
Cash on hand and at banks (Note 4)	12,690,280	14,188,680
Term deposits (Note 5)	26,727,028	19,108,038
Reinsurance contract assets (Note 13)	34,242,284	31,125,583
Due from agents (Note 6)	9,104,360	16,711,707
Due from customers (Note 7)	4,399,388	4,331,113
Prepayments and other assets	1,059,127	851,234
Investments (Note 8):		
Fair value through profit or loss	22,842,002	14,636,915
Amortized cost	1,129,723	1,291,919
Investment in associate (Note 9)	18,622,126	20,160,811
Intangible assets (Note 18)	3,920,000	4,106,314
Investment property (Note 11)	3,469,996	-
Property and equipment (Note 10)	10,967,622	14,797,466
Total assets	**149,173,936**	**141,309,780**
LIABILITIES		
Insurance contract liabilities (Note 13)	58,904,733	59,210,533
Other liabilities		
Accounts payable and accrued expenses	1,573,293	2,182,408
Due to insurers	1,751,636	1,791,664
Borrowings (Note 24)	2,750,000	3,500,000
	6,074,929	7,474,072
Total liabilities	**64,979,662**	**66,684,605**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As at 31 December 2024
(Expressed in Bahamian dollars)
(Continued)

	2024 $	2023 $
EQUITY		
Equity attributable to shareholders of the Company		
Share capital:		
Ordinary shares		
Authorized		
10,000,000 shares of $0.30 each	2,860,500	2,860,500
Issued and fully paid:		
9,535,000 (2023: 9,535,000) shares of $0.30 each		
Contributed surplus	32,294,391	32,294,391
Revaluation reserve	1,888,449	1,888,449
Retained earnings	40,924,383	31,379,100
	77,967,723	68,422,440
Non-controlling interests (Note 17)	6,226,551	6,202,735
Total equity	**84,194,274**	**74,625,175**
Total liabilities and equity	**149,173,936**	**141,309,780**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

7 April 2025
Date

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
Insurance revenue (Note 13)	150,166,289	116,019,061
Insurance service expenses (Note 13)	(29,097,356)	(79,699,244)
Net expenses from reinsurance contracts held (Note 13)	(110,858,399)	(31,976,031)
Insurance service result	**10,210,534**	**4,343,786**
Interest revenue from financial assets not measured at FVTPL	1,190,192	340,485
Net gains on investments at FVTPL	462,450	1,380,740
Reversal/(allowance) for credit impairment losses	41,716	(53,299)
Net investment income	**1,694,358**	**1,667,926**
Finance expenses from insurance contracts issued	(378,000)	(413,000)
Finance income from reinsurance contracts held	169,000	174,000
Net insurance finance expenses (Note 12)	**(209,000)**	**(239,000)**
Net insurance and investment result	**11,695,892**	**5,772,712**
OTHER INCOME AND EXPENSES		
Net agency and profit commissions	3,650,423	3,804,226
Lease income	249,020	247,103
Other income	509,272	70,189
Other operating expenses (Note 15)	(4,110,530)	(3,921,212)
Interest expense	(146,831)	(178,206)
Share of net results of associates (Note 9)	673,453	(50,740)
Net income	**12,520,699**	**5,744,072**
OTHER COMPREHENSIVE INCOME		
Items that may not be reclassified to profit or loss		
Revaluation of land and building (Note 10)	-	1,888,449
Total comprehensive income	**12,520,699**	**7,632,521**
Total comprehensive income for the year is attributable to:		
Owners of RoyalStar Holdings Ltd.	12,336,883	7,336,582
Non-controlling interests (Note 17)	183,816	295,939
	12,520,699	**7,632,521**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	Attributable to owners of RoyalStar Holdings Ltd.						
	Ordinary Shares $	Contributed Surplus $	Revaluation Reserve $	Retained Earnings $	Total Shareholders' Equity $	Non-Controlling Interests $	Total Equity $
Balance as at 31 December 2022	**2,860,500**	**32,294,391**	**-**	**28,722,567**	**63,877,458**	**5,906,796**	**69,784,254**
Comprehensive income							
Net income	-	-	-	5,448,133	5,448,133	295,939	5,744,072
Other comprehensive income	-	-	1,888,449	-	1,888,449	-	1,888,449
Total comprehensive income	-	-	1,888,449	5,448,133	7,336,582	295,939	7,632,521
Transactions with owners							
Dividends – preference shares	-	-	-	(312,500)	(312,500)	-	(312,500)
Dividends – ordinary shares	-	-	-	(2,479,100)	(2,479,100)	-	(2,479,100)
Total transactions with owners	-	-	-	(2,791,600)	(2,791,600)	-	(2,791,600)
Balance as at 31 December 2023	**2,860,500**	**32,294,391**	**1,888,449**	**31,379,100**	**68,422,440**	**6,202,735**	**74,625,175**
Balance as at 31 December 2023	**2,860,500**	**32,294,391**	**1,888,449**	**31,379,100**	**68,422,440**	**6,202,735**	**74,625,175**
Comprehensive income							
Net income	-	-	-	12,336,883	12,336,883	183,816	12,520,699
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12,336,883	12,336,883	183,816	12,520,699
Transactions with owners							
Dividends – preference shares	-	-	-	(312,500)	(312,500)	-	(312,500)
Dividends – ordinary shares	-	-	-	(2,479,100)	(2,479,100)	(160,000)	(2,639,100)
Total transactions with owners	-	-	-	(2,791,600)	(2,791,600)	(160,000)	(2,951,600)
Balance as at 31 December 2024	**2,860,500**	**32,294,391**	**1,888,449**	**40,924,383**	**77,967,723**	**6,226,551**	**84,194,274**

Dividends per preference share: $0.63 (2023: $0.63)
Dividends per ordinary share: $0.26 (2023: $0.26)

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	12,520,699	5,744,072
Adjustments for:		
Changes in insurance and reinsurance contracts assets/liabilities	(3,422,501)	5,623,447
Interest revenue from financial assets not measured at FVTPL	(1,190,192)	(340,485)
Net gains on investments at FVTPL	(462,450)	(1,380,740)
Depreciation and amortization (Note 10)	667,022	777,058
Amortization of intangible assets (Note 18)	186,314	372,628
(Reversal)/ allowance for credit impairment losses	(41,716)	53,299
Gain on sale of property and equipment	-	(3,600)
Interest expense	146,831	178,206
Share of net results of associates (Note 9)	(673,453)	50,740
(Increase)/Decrease in operating assets		
Due from agents (Note 6)	7,607,347	(138,469)
Prepayments and other assets	(207,893)	58,383
Due from customers (Note 7)	(68,275)	1,882,177
Increase/(Decrease) in operating liabilities		
Accounts payable and accrued expenses	(549,412)	(1,542,530)
Due to insurers	(40,028)	(2,213,271)
Net cash from operating activities	**14,472,293**	**9,120,915**
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of term deposits	(43,926,773)	(22,115,376)
Maturity of term deposits	36,326,846	16,475,828
Interest and dividends received from investments	1,177,148	749,359
Dividends received from associates (Note 9)	2,212,300	2,611,700
Purchase of investments	(25,696,279)	(15,282,920)
Proceeds from sales/maturities of investments	18,123,319	15,156,388
Capital injection in associate (Note 9)	(162)	(152)
Purchase of property and equipment (Note 10)	(307,174)	(486,289)
Proceeds from disposals of property and equipment	-	3,600
Net cash used in investing activities	**(12,090,775)**	**(2,887,862)**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

	2024 $	2023 $
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal element of lease payments	(59,703)	(56,095)
Payment of dividends on preference shares	(312,500)	(312,500)
Payment of dividends on ordinary shares	(2,479,100)	(2,479,100)
Payment of dividends on ordinary shares – non-controlling interest in a subsidiary	(160,000)	-
Interest paid	(146,831)	(178,206)
Repayment of borrowings	(750,000)	(750,000)
Net cash used in financing activities	**(3,908,134)**	**(3,775,901)**
Net (decrease)/increase in cash and cash equivalents	**(1,526,616)**	**2,457,152**
Cash and cash equivalents as at beginning of year	14,216,896	11,759,744
Cash and cash equivalents as at end of year	**12,690,280**	**14,216,896**
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand and at banks	**12,690,280**	**14,216,896**

See Note 8 for significant non-cash transaction

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Notes to the Consolidated Financial Statements
31 December 2024

1. General Information

RoyalStar Holdings Ltd. (the Company) was incorporated on 2 October 2012 under the Companies Act, 1992 of The Commonwealth of The Bahamas (The Bahamas). The Company and its subsidiaries are collectively referred to as the Group. The Company's sole activity is holding of investments in the following companies:

- RoyalStar Assurance Ltd. (RSA), a wholly-owned subsidiary and company incorporated in The Bahamas and licensed under the relevant statutes and regulations to operate as a property and casualty insurance company in The Bahamas, the Cayman Islands, the Turks and Caicos Islands, the British Virgin Islands, the United States Virgin Islands and Anguilla. RSA through a wholly-owned subsidiary, RoyalStar Investments Ltd. (RIL), also incorporated in The Bahamas, invests in commercial real estate. RSA is a sole beneficiary of trusts established to comply with regulations promulgated by the insurance regulators in The Bahamas, the Cayman Islands and the British Virgin Islands (Notes 5 and 8). RSA consolidates the trusts for financial statement reporting purposes.

- Star General Insurance Agents & Brokers (Bahamas) Limited (STAR), an insurance agent and broker incorporated and domiciled in The Bahamas and regulated by The Insurance Commission of The Bahamas. The Group acquired an 80% ownership interest in the company effective 1 January 2022.

- Sandy Shores Developers Ltd. (SSDL), a real estate holding company incorporated in The Bahamas. The Group has a 19% ownership interest in SSDL; however, a director of the Group is a member of the SSDL board of directors, and as such, management has concluded that the Group has significant influence over this entity.

- SFL RSA Limited (SFL RSA), a company incorporated in the Turks & Caicos Islands, which has a 50% ownership interest in Ascendancy TCI Limited, and Gateway Financial Holdings Ltd. (GFHL), a company incorporated in The Bahamas, which has a 50% ownership interest in Gateway Ascendancy Ltd. (GAL), both of which specialize in the purchase and restructuring of non-performing loans. The Group has a 45% ownership interest in SFL RSA and GFHL.

- Vanguard Risk Solutions Limited (VRSL), an insurance agent and broker incorporated and domiciled in the Cayman Islands, is regulated by the Cayman Island Monetary Authority (CIMA). The Group has a 32.26% ownership interest in the company.

- RSA Risk Solutions Ltd. (RRSL), a property and casualty captive insurance company incorporated and domiciled in the Cayman Islands, is regulated by the Cayman Island Monetary Authority (CIMA). RRSL is a wholly-owned subsidiary of the Company.

The Group's primary shareholder is Sunshine RSA Holdings Ltd., which owns 52.86% (2023: 52.86%) of the Company's outstanding ordinary shares and is majority owned by Sunshine Holdings Limited.

The Company's registered office is at Mareva House, 4 George Street, Nassau, The Bahamas.

2. Material Accounting Policies

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(f), 2(h), 2(i), 2(p), and 3.

(b) Changes in accounting policies

(i) New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group's financial year beginning 1 January 2024 were either not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2024 and not early adopted by the Group

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18. The Group is still assessing the impact of the adoption of this new standard.

The application of other new standards, amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the period of initial application.

2. Material Accounting Policies (Continued)

(c) Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealized gains on transactions between group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in retained earnings. Gains and losses on disposals to non-controlling interests are also recorded in retained earnings.

2. Material Accounting Policies (Continued)

(c) Consolidation (continued)

Non-controlling interests (continued)

Interests in the equity of subsidiaries not attributable to the shareholders of the Company are reported in consolidated equity as non-controlling interests. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, changes in equity and balance sheet, respectively.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in associates equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of investment in associates is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

(d) Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Group's functional and presentation currency. Amounts are not rounded, unless otherwise indicated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the consolidated statement of comprehensive income. Translation differences on financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

2. Material Accounting Policies (Continued)

(d) Foreign currency translation (continued)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

SFL RSA and VRSL's functional currency is in United States dollars which is pegged to Bahamian dollars at an exchange rate of 1:1.

(e) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts at banks and unrestricted term deposits with original contractual maturities of three months or less from the date of acquisition.

(f) Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets

Initial recognition and measurement

The Group classifies its financial assets into the following measurement categories: amortized cost or FVTPL.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost.

2. Material Accounting Policies (Continued)

(f) Financial assets and liabilities (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognized in profit or loss.

Interest income is calculated by applying the EIR to the gross carrying amount of financial assets recognized at amortized cost. Gains and losses are recognized as part of profit or loss in the statement of comprehensive income when the asset is derecognized, modified or impaired by comparing proceeds from the sale of the asset or collateral to the carrying amount.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

2. Material Accounting Policies (Continued)

(f) Financial assets and liabilities (continued)

Financial assets (continued)

Debt instruments (continued)

The classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset (represented by SPPI). Based on these factors, the Group classifies its debt instruments into one of two measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured. Interest income from these financial assets is included in interest income from financial assets not measured at FVTPL using the EIR method.
- FVTPL: Assets that do not meet the criteria for amortized cost are measured at FVTPL. Also, some assets are voluntarily measured at FVTPL, because this significantly reduces an accounting mismatch. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized and presented in the consolidated statement of comprehensive income within 'net gains on investments at FVTPL' in the period in which it arises.

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2. Material Accounting Policies (Continued)

(f) Financial assets and liabilities (continued)

Financial assets (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'net gains on investments at FVTPL' in the consolidated statement of comprehensive income.

Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of the ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 23 (a) provides more detail on how the ECL allowance is measured.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either: the Group transfers substantially all the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Write-offs

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The write-off represents a derecognition event. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognized in profit or loss.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost. Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2. Material Accounting Policies (Continued)

(g) Property and equipment

Property and equipment, other than land and buildings, are carried at historical cost less accumulated depreciation and amortization. Historical cost includes expenditures that are directly attributable to the acquisition of the item. Land and buildings, which comprise the Group's offices, are revalued triennially based on outputs derived from an independent appraisal report, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The techniques used by the appraiser involve the use of assumptions to provide a fair value estimate of land and buildings. Information about the valuation technique and inputs used in determining the fair value of the land and buildings are disclosed in Note 10.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to 'revaluation reserve' in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are recognized in the consolidated statement of comprehensive income as a part of net income.

Each year the difference between depreciation based on the revalued carrying amount of the asset recognized in the consolidated statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate the assets' costs (net of residual values) over their estimated useful lives, as follows:

Building	40 years
Land and building improvements	6 to 20 years
Furniture, equipment and software	5 to 20 years
Motor vehicles	3 years

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

Transfers are made to (or from) property and equipment only when there is a change in use. For a transfer from property and equipment to investment property, the property is transferred at the carrying amount. No gain or loss is recorded.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognized in the consolidated statement of comprehensive income.

2. Material Accounting Policies (Continued)

(h) Investment property

Property held for long-term rental yields and/or capital appreciation that is not occupied by the Group, is classified as investment property. Investment property is comprised of commercial building.

Investment property is measured initially at its cost, including related transaction costs. Subsequently, investment property is carried at fair value. Fair value is based on valuation methods using discounted cash flow analyses and comparable sales.

These valuations are periodically reviewed by an independent appraiser, who holds recognized and relevant professional qualifications and has recent experience in the category of the investment property being valued, at intervals generally not exceeding three years.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Key assumptions used to determine the fair value of the investment property are discussed in Note 11.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the fair value of the property.

Changes in fair values are recognized in the consolidated statement of comprehensive income. Investment property is derecognized either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

(i) Insurance contracts

Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Definition and classification (continued)

All of the Group's insurance contracts transfer significant insurance risk. The Group does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk, if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Unit of account

The Group manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Unit of account (continued)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio.

Reinsurance contracts held are assessed for aggregation requirements at the portfolio level. The Group tracks internal management information reflecting historical experience of such contracts' performance to assess the associated profitability cohort of groups of reinsurance contracts.

Recognition and derecognition

Groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognized as follows:

- a group of reinsurance contracts held that provide proportionate coverage is recognized at the later of:
  - (i) the beginning of the coverage period of the group; and
  - (ii) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognized from the beginning of the coverage period of the group of reinsurance contracts held;

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognized at the same time as the group of underlying insurance contracts is recognized.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods. An insurance contract is derecognized when it is extinguished.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Fulfilment cash flows and contract boundary

The fulfilment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Group uses the concept of contract boundary to determine which cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:

  (i.) the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  (ii.) the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Fulfilment cash flows and contract boundary (continued)

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognized, the Group could recognize assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognized in other operating expenses as incurred.

Measurement

The Group uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the general measurement model based on assessments performed by the Group. For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognized over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Measurement (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period; and
- increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the remaining coverage; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period; and
- decreased for the expected amounts of ceding premiums and broker fees derecognized as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Measurement (continued)

The Group adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Group has quantified the reinsurance non-performance risk (NPR) and assessed this to be immaterial, and thus, does not hold the NPR provision within the reinsurance asset. The Group will reassess the NPR provision when there are changes in the credit ratings of reinsurers, when the reinsurance asset increases significantly (i.e. following a catastrophe event), or whenever other relevant facts and circumstances change to ensure that it is still immaterial.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF with the amount of such an increase recognized in insurance service expenses, and a loss component is established for the amount of the loss recognized. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are recognized as insurance service expenses.

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognized in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognized. The referred income is calculated by multiplying the loss recognized on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognized on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts. Where applicable, changes in the loss-recovery component are recognized as net income from reinsurance contracts held.

Insurance service result from insurance contracts issued

The Group recognizes insurance revenue based on the passage of time over the coverage period of a group of contracts, except for groups of contracts for which the expected pattern of release of risk during the coverage period differs significantly from the passage of time. For these groups of contracts, the Group recognizes insurance revenue based on the expected timing of incurred insurance service expenses. The amount of insurance revenue for the period is the amount of expected premium receipts allocated to the period.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Insurance service result from insurance contracts issued (continued)

Insurance service expenses include the following:

- incurred claims and benefits, reduced by loss component allocations;
- other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognized at the date of initial recognition;
- amortization of insurance acquisition cash flows;
- changes that relate to past service – changes in the FCF relating to the LIC; and
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Amortization of insurance acquisition cash flows is based on the timing of recognition of insurance revenue. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of comprehensive income.

Insurance service result from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in 'net income (expenses) from reinsurance contracts held', comprising the following amounts:

- reinsurance expenses;
- incurred claims recovery, reduced by loss-recovery component allocations;
- other incurred directly attributable expenses;
- changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- effect of changes in the risk of reinsurers' non-performance; and
- amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. The Group recognizes reinsurance premiums based on the same methodology used for recognizing insurance revenue. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued are treated as incurred claims recovery.

2. Material Accounting Policies (Continued)

(i) Insurance contracts (continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money.

The Group does not apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The effect of changes in the time value of money on the LIC for insurance contracts issued and reinsurance contracts held are reflected in profit or loss. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

(j) Share capital

Ordinary shares, and preference shares whose terms do not create contractual obligations, are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Company acquires its own equity shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received net of any directly attributable incremental costs is included in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on treasury share transactions.

(k) Taxation

Premium tax is incurred at the rate of 3.00%, 2.50% and 5.00% of premiums written in The Bahamas, the Turks and Caicos Islands and the United States Virgin Islands, respectively. The value added tax rate is 10% and is levied on non-residential premiums written in The Bahamas. In the Cayman Islands, stamp duty of KY$12.00 is incurred for each policy written in that jurisdiction.

All premium taxes, stamp duties and value added taxes are charged separately to policyholders. No premium taxes, stamp duties or value added taxes are incurred in other jurisdictions in which the Group operates.

The Bahamas implemented a Domestic Minimum Top-Up Tax that became effective for certain multinational entities who meet the Organisation for Economic Co-operative and Development (OECD) Pillar Two thresholds. The Group does not meet the requirements for a top-up tax in The Bahamas, and under the current laws of The Bahamas there are no other income or capital gains taxes to which the Group would be subject. As a result, the Company and its subsidiaries operations in The Bahamas do not subject it to taxation in any other jurisdiction.

2. Material Accounting Policies (Continued)

(l) Income and expense recognition

Revenue from contracts with customers

Revenue is comprised of agency and profit commissions. Where there is no separate arrangement, revenue is wholly related to the placement activity and recognized when the policies are written, or the date on which the placement is complete and confirmed. Where the contract specifically identifies the performance obligations, the revenue is recognized when each performance obligation is satisfied.

The Group earns agency commissions by placing insurance policies with the insurers based on the agency fee agreement with such insurers. There are no post-placement performance obligations. Cancellations are historically immaterial as such revenue is earned at a point in time. Premiums and related taxes collected on behalf of other insurers are presented in 'Due to insurers' on the face of the consolidated balance sheet.

Profit commission is earned from contracts with different insurers. The consideration received from the insurer is typically variable based on the underlying profitability of the business generated. The performance obligation is considered satisfied at the point a commission year is complete. This is determined based on the Group's best estimate and recorded to the extent that it is highly probable that a significant reversal will not occur.

Other income and expenses

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method. Other income and expenses are recognized on the accrual basis, except for profit commissions and dividend income, which are recognized when the Group's right to receive, or obligation to make, payment has been established.

(m) Leases

Group as lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

2. Material Accounting Policies (Continued)

(m) Leases (continued)

Group as lessee (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. Where that rate is not readily determined, which is the case for the Group's leases, the Group's incremental borrowing rate is used, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a build-up approach starting with the risk-free discount rate in the economic environment where the lease is located, adjusted for credit risk of the leases held by the Group which does not have recent third-party financing.

Lease payments are allocated between principal and finance cost. The finance cost is charged to interest expense in the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are assessed for impairment in a similar manner to property and equipment and are presented in the consolidated balance sheet within property and equipment.

Group as lessor

Where the Group is lessor, lease income is recognized over the term of the lease on a straight-line basis. Properties leased out under such leases are included in property and equipment in the consolidated balance sheet and is not significant.

2. Material Accounting Policies (Continued)

(n) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently recognized at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income during the term of the borrowing using the effective interest method. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the liability for, or the liability is due to be settled at least 12 months after the balance sheet date.

(o) Employee benefits

The Group has a defined contribution pension plan for its employees, whereby the Group makes fixed contributions to a privately administered pension plan. The Group has no further obligations to pay contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Group's contributions to the defined contribution pension plan are charged to the consolidated statement of comprehensive income in the financial period to which they relate.

(p) Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on the acquisition of subsidiaries is reported in the consolidated statement of comprehensive income. Goodwill on acquisition of associates is included in investments in associates. Goodwill has an indefinite useful life and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of the impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Customer-related intangibles

Customer-related intangibles is comprised of customer relationships when a business is acquired. They are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date.

2. Material Accounting Policies (Continued)

(p) Intangible assets (continued)

Customer-related intangibles

Subsequent to initial recognition, customer-related intangibles are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate intangibles over their estimated useful lives, which is a period of 15 years.

(q) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year.

3. Significant Judgements and Estimates in Applying IFRS 17

Areas of potential judgement	Applicable to the Group
For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is applicable to the Group. The Group sets premiums considering recent experience and future expectations with the intention of underwriting profitable contracts. As part of annual budgeting the Group quantifies the expected profits or losses for each portfolio of contracts which would be used to assess whether facts and circumstances exist that there are onerous groups of contracts. There are currently no facts and circumstances that indicate that onerous groups of contracts exist, and thus all contracts measured by the Group in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.
An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Group performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

3. Significant Judgements and Estimates in Applying IFRS 17 (Continued)

Estimates and assumptions

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

Discount rates

For liabilities measured in Bahamian dollars, a top-down approach was used to derive discount rates. Under this approach, a reference portfolio was selected based on observable prices for government bonds, from which adjustments were made to reflect differences in the characteristics of the reference portfolio and the relevant liability cash flows, specifically for credit risk and liquidity characteristics.

For liabilities measured in other Caribbean currencies pegged to the US dollar, a bottom-up approach was used to derive the discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free yield curve was derived using the US treasury yield curve. Management uses judgement to assess liquidity characteristics of the liability cash flows. Insurance contracts are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on expert judgement.

The settlement of the Group's current outstanding claims are all expected to occur within the period for which observable market information is available to determine the IFRS 17 discount rates.

The yield curves (spot rates) that were used to discount the estimates of future cash flows are as follows:

	2024				2023			
Currency	**1 year**	**5 years**	**10 years**	**20 years**	**1 year**	**5 years**	**10 years**	**20 years**
Bahamian Dollars	3.9%	4.9%	6.4%	7.1%	3.9%	4.8%	6.3%	7.1%
Other Caribbean (Based on USD)	5.4%	5.6%	5.8%	6.2%	6.0%	5.0%	5.1%	5.5%

3. Significant Judgements and Estimates in Applying IFRS 17 (Continued)

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows.

The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic and rational basis. Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required

Methods used to measure insurance contracts

The Group engages an Appointed Actuary annually to perform a valuation of RSA's insurance liabilities. The insurance liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies (LIC), and a provision for future obligations on the unexpired portion of policies (LRC).

The valuation is in accordance with generally accepted actuarial practice, including the selection of appropriate methods and assumptions. Actuarial methods used in determining the claim liabilities include the Paid Development method, the Incurred Development method, the Paid Bornhuetter-Ferguson method, the Incurred Bornhuetter-Ferguson method and the Expected Loss Ratio method.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates the risk adjustment for non-financial risk separately from all other estimates.

3. Significant Judgements and Estimates in Applying IFRS 17 (Continued)

Methods used to measure the risk adjustment for non-financial risk (continued)

The Group determines the risk adjustment for non-financial risk using a margin approach. In the margin approach, the risk adjustment is quantified by applying deterministic, adverse margins to the insurance liability. To apply this risk adjustment technique:

- A margin approach was applied, where a margin was determined for each portfolio.
- The margins were calibrated to result in a target confidence level between 70% to 75%.

Each year, the Group will recalculate the confidence level using the current margins. If the resulting confidence level is outside of the target confidence level range of 70% to 75%, the Group will recalibrate the margins to achieve a tolerable confidence level. The confidence level at 2024 is 75% (2023: 72.2%).

4. Cash on Hand and at Banks

Cash on hand and at banks comprise:

	2024 $	2023 $
Cash and cash equivalents	12,690,280	14,216,896
Allowance for ECL	-	(28,216)
	12,690,280	**14,188,680**

5. Term Deposits

	2024 $	2023 $
Term deposits with contractual maturities		
greater than three months	19,922,284	12,453,109
Restricted term deposits	6,629,988	6,499,235
Accrued interest	174,756	169,194
	26,727,028	19,121,538
Allowance for ECL	-	(13,500)
	26,727,028	**19,108,038**

The restricted term deposits represent funds placed by the Group in a trust and other deposit accounts that cannot be distributed without the permission of the insurance regulators in the Cayman Islands, the Turks and Caicos Islands, the British Virgin Islands, the United States Virgin Islands and Anguilla. Also included in restricted term deposits is $2,500,000 pledged as security for a loan facility (See Note 24). Interest rates on term deposits range from 0 % to 4% (2023: 0.00% to 4.42%) per annum.

6. Due from Agents

	2024 $	2023 $
Premiums and taxes receivable from agents	9,338,360	16,945,707
Allowance for ECL	(234,000)	(234,000)
	9,104,360	**16,711,707**

Movements in the allowance for ECL comprise:

	2024 $	2023 $
Balance as at beginning of year	234,000	234,000
Expected credit losses	-	-
Balance as at end of year	**234,000**	**234,000**

As at 31 December 2024, the Group had balances that are past due totaling $Nil (2023: $Nil) that are impaired, and $357,087 (2023: $647,931) with an ageing over 90 days that are past due but not impaired (this excludes balances with network partners and policies under installment arrangements).

7. Due from Customers

	2024 $	2023 $
Due from customers	4,617,280	4,263,307
Accrued profit commission	111,623	117,806
	4,728,903	4,381,113
Allowance for ECL	(329,515)	(50,000)
	4,399,388	**4,331,113**

The credit quality of policyholders is primarily assessed based on their ability to pay, as well as past experience with each customer.

7. Due from Customers (Continued)

The closing loss allowances for due from customers reconcile to the opening loss allowances as follows:

	2024 $	2023 $
Balance as of beginning of year	50,000	50,000
Expected credit losses	293,723	-
Write-offs	(14,208)	-
Balance as at end of year	**329,515**	**50,000**

8. Investments

Financial assets at fair value through profit or loss

The Group ranks its investments based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy, within which the fair value measurement is categorized, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

8. Investments (Continued)

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 financial instruments include unlisted investment funds and equity securities. The valuation techniques used for Level 3 investments include net asset values based on audited financial statements and unaudited interim financial information, latest trade information and discounted cash flow analyses.

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of the reporting period.

As at 31 December 2024, the cost of financial assets at fair value through profit or loss totaled $19,297,640 (2023: $11,752,398), of which $1,910,775 (2023: $1,910,775) represented Level 3 securities.

	2024 $	2023 $
Level 1		
Debt securities	12,093,817	4,610,729
Investment funds	295,133	275,351
	12,388,950	4,886,080
Level 2		
Debt securities	2,336,550	2,336,710
Equity securities	5,291,519	4,621,192
Investment funds	514,233	482,183
	8,142,302	7,440,085
Level 3		
Equity securities	2,310,750	2,310,750
Investment funds	-	-
	2,310,750	2,310,750
Total financial assets at fair value through profit or loss	**22,842,002**	**14,636,915**

8. Investments (Continued)

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

Movements in financial assets at fair value through profit or loss comprise:

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 1 January 2024	4,886,080	7,440,085	2,310,750	14,636,915
Purchases	23,898,120	1,798,160	-	25,696,280
Sales	(16,486,243)	(1,467,400)	-	(17,953,643)
Net gains on investments at FVTPL	90,993	371,457	-	462,450
Balance as at 31 December 2024	**12,388,950**	**8,142,302**	**2,310,750**	**22,842,002**
Balance as at 1 January 2023	4,613,103	6,115,188	2,779,326	13,507,617
Purchases	15,282,920	-	-	15,282,920
Sales	(15,534,362)	-	-	(15,534,362)
Transfer from level 3	-	482,183	(482,183)	-
Net gains on investments at FVTPL	524,419	842,714	13,607	1,380,740
Balance as at 31 December 2023	**4,886,080**	**7,440,085**	**2,310,750**	**14,636,915**

During 2023, RSA declared a non-cash dividend in the amount of $2,310,750, which resulted in the transfer of a Level 3 equity security in an investment in a related party property development company, with real estate development in Eleuthera, The Bahamas, to the Company. The Group does not have a controlling interest in this investee.

Investments in Bahamas Government Registered Stock in the amount of $1,000,000 are placed in a trust and cannot be distributed from the trust without the permission of the insurance regulator in The Bahamas.

8. Investments (Continued)

Financial assets at amortized cost

	Interest Rate	Maturity	2024 $	2023 $
The Government of The Bahamas Bridge Authority bonds	Prime + 1.50%	24/03/2024	-	51,200
	Prime + 1.63%	24/03/2029	23,300	23,300
Nassau Airport Development Bond	7.50%	31/12/2035	236,211	250,000
Public Hospitals Authority Series A redeemable term notes	Prime + 1.25%	30/09/2033	236,842	263,158
Public Hospitals Authority mortgage	3.00%	31/12/2024	-	53,105
Sunshine Finance Ltd. corporate bonds	6.00%	01/12/2026	500,000	500,000
The College of The Bahamas redeemable term notes	7.00%	30/06/2026	30,858	46,286
RF Holdings Limited Series A cumulative redeemable preference shares	6.00%	31/12/2029	50,000	60,000
			1,077,211	1,247,049
Accrued interest			64,095	56,453
Allowance for ECL			(11,583)	(11,583)
Total financial assets at amortized cost			**1,129,723**	**1,291,919**

9. Investment in Associates

Movements in investment in associates are as follows:

	2024 $				
	SSDL (19%)	SFL RSA (45%)	GFHL (45%)	VRSL (32.26%)	Total
As at 1 January	7,122,861	620,858	5,671,688	6,745,404	20,160,811
Capital injection in associates	162	-	-	-	162
Share of net results of associates	(318)	63,729	(328,180)	938,222	673,453
Dividends received	-	(181,800)	(1,224,000)	(806,500)	(2,212,300)
As at 31 December	**7,122,705**	**502,787**	**4,119,508**	**6,877,126**	**18,622,126**

	2023 $				
	SSDL (19%)	SFL RSA (45%)	GFHL (45%)	VRSL (32.26%)	Total
As at 1 January	7,122,861	802,140	8,335,069	6,563,029	22,823,099
Capital injection in associates	152	-	-	-	152
Share of net results of associates	(152)	291,218	(1,169,381)	827,575	(50,740)
Dividends received	-	(472,500)	(1,494,000)	(645,200)	(2,611,700)
As at 31 December	**7,122,861**	**620,858**	**5,671,688**	**6,745,404**	**20,160,811**

Summarized unaudited financial information of the associates, as at and for the year ended 31 December are as follows:

	2024 $			
	SSDL	SFL RSA	GFHL	VRSL
Assets	37,487,918	1,117,305	9,154,461	10,208,484
Liabilities	-	-	-	(3,792,754)
Net income/(loss)	(1,676)	141,620	(729,289)	2,908,313

	2023 $			
	SSDL	SFL RSA	GFHL	VRSL
Assets	37,488,743	1,379,685	12,603,750	8,554,667
Liabilities	-	-	-	(2,679,263)
Net income/(loss)	(800)	647,150	(2,598,627)	2,565,328

10. Property and Equipment

	Land and Building $	Right-of-Use Asset $	Land and Building Improvements $	Furniture, Equipment and Software $	Motor Vehicles $	Total $
Cost:						
As at 1 January 2024	12,518,600	503,287	2,071,769	4,080,703	215,994	19,390,353
Additions	-	-	-	307,174	-	307,174
Disposals/Modification	-	-	-	(140,200)	(57,892)	(198,092)
Transfer to investment property (Note 11)	(3,469,996)	-	-	-	-	(3,469,996)
As at 31 December 2024	9,048,604	503,287	2,071,769	4,247,677	158,102	16,029,439
Accumulated Depreciation/ Amortization:						
As at 1 January 2024	-	125,822	1,001,737	3,271,888	193,440	4,592,887
Disposals	-	-	-	(140,200)	(57,892)	(198,092)
Charge for the year	184,344	62,911	106,234	303,385	10,148	667,022
As at 31 December 2024	184,344	188,733	1,107,971	3,435,073	145,696	5,061,817
Net book value as at 31 December 2024	**8,864,260**	**314,554**	**963,798**	**812,604**	**12,406**	**10,967,622**

10. Property and Equipment (Continued)

	Land and Building $	Right-of-Use Asset $	Land and Building Improvements $	Furniture, Equipment and Software $	Motor Vehicles $	Total $
Cost:						
As at 1 January 2023	13,316,308	503,287	1,899,931	3,795,132	208,026	19,722,684
Additions	-	-	171,838	294,051	20,400	486,289
Disposals/Modification	-	-	-	(8,480)	(12,432)	(20,912)
Transfer of accumulated depreciation on revaluation	(2,686,157)	-	-	-	-	(2,686,157)
Revaluation of land and building	1,888,449	-	-	-	-	1,888,449
As at 31 December 2023	12,518,600	503,287	2,071,769	4,080,703	215,994	19,390,353
Accumulated Depreciation/ Amortization:						
As at 1 January 2023	2,422,725	62,911	892,895	2,955,993	188,374	6,522,898
Disposals	-	-	-	(8,480)	(12,432)	(20,912)
Transfer to cost on revaluation	(2,686,157)	-	-	-	-	(2,686,157)
Charge for the year	263,432	62,911	108,842	324,375	17,498	777,058
As at 31 December 2023	-	125,822	1,001,737	3,271,888	193,440	4,592,887
Net book value as at 31 December 2023	**12,518,600**	**377,465**	**1,070,032**	**808,815**	**22,554**	**14,797,466**

Land and building comprise a commercial building complex on John F. Kennedy Drive, New Providence, Bahamas, a portion of which the Group occupies.

The Group previously accounted for its land and building under the historical cost model. During 2023, management made a policy choice to apply the revaluation model to its land and buildings on a prospective basis as fair value was determined to more reliably depict the Group's financial position.

10. Property and Equipment (Continued)

The Group's land and buildings are recognized at fair value based on periodic valuations by external independent appraisers, less subsequent depreciation for buildings. The last independent appraisal was performed as at 31 December 2023. The fair value hierarchy for non-financial assets is similar to the hierarchy for financial instruments disclosed in Note 8. The level 2 fair value of land and buildings has been derived using the sales comparison approach. The key inputs under this approach are the price per square foot from recent sales of comparable properties in the area (location and size).

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2024 $	2023 $
Cost – land	2,848,270	2,848,270
Cost – buildings	7,118,266	10,468,038
Accumulated depreciation – buildings	(2,004,875)	(2,686,157)
	7,961,661	**10,630,151**

11. Investment Property

The Group owns property located John f. Kennedy Drive, New Providence, The Bahamas which is classified as investment property. The latest independent appraisals were performed for the year ended 31 December 2023. The fair value hierarchy for non-financial assets is similar to the hierarchy for financial assets disclosed in Note 8. Investment property is classified as Level 3 as inputs are generally unobservable. The valuation techniques used were discounted cash flow analyses and comparable sales, based on knowledge of transactions involving similar properties in the vicinity.

	2024 $	2023 $
Opening net book value	-	-
Transfer from property and equipment (Note 10)	3,469,996	-
Additions	-	-
Net fair value gain	-	-
Closing net book value	**3,469,996**	**-**

The future aggregate minimum rentals receivable on leases of investment property less than one year total $229,933 and between one to five years total $557,017, with lease agreements expiring on 2 September 2027 and 30 September 2029.

Included in rental income is $249,020 (2023: $247,103) earned on the investment property.

12. Insurance Finance Income and Expenses

An analysis of net insurance finance expenses is presented below:

Finance expenses from insurance contracts issued	**2024** **$**	**2023** **$**
Interest accreted	(385,000)	(405,000)
Effect of changes in interest rates and other financial assumptions	7,000	(8,000)
Finance expenses from insurance contracts issued	**(378,000)**	**(413,000)**
Finance income from reinsurance contracts held		
Interest accreted	165,000	167,000
Effect of changes in interest rates and other financial assumptions	4,000	7,000
Finance income from reinsurance contracts held	**169,000**	**174,000**
Net insurance finance expenses	**(209,000)**	**(239,000)**

13. Reconciliation of Insurance and Reinsurance Contracts

The following tables present reconciliations of insurance contract liabilities.

Insurance contracts issued

	Liability for Remaining Coverage		Liability for Incurred Claims		
	Excl loss component $	Loss component $	Future cash flows $	Risk adjustment $	Total $
Opening insurance liability as at 1 January 2024	**44,056,090**	**-**	**13,625,443**	**1,529,000**	**59,210,533**
Insurance revenue	(150,166,289)	-	-	-	(150,166,289)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	13,195,329	712,909	13,908,238
Changes that relate to past services	-	-	(974,600)	(712,909)	(1,687,509)
Insurance acquisition cash flows amortization	16,876,627	-	-	-	16,876,627
	16,876,627	-	12,220,729	-	29,097,356
Insurance service result	(133,289,662)	-	12,220,729	-	(121,068,933)
Insurance finance expense	-	-	378,000	-	378,000
Total amounts recognized in comprehensive income	**(133,289,662)**	**-**	**12,598,729**	**-**	**(120,690,933)**
Cash flows					
Premiums received	148,293,988	-	-	-	148,293,988
Claims and other directly attributable expenses paid	-	-	(11,262,595)	-	(11,262,595)
Insurance acquisition cash flows	(16,646,260)	-	-	-	(16,646,260)
Total cash flows	**131,647,728**	**-**	**(11,262,595)**		**120,385,133**
Closing insurance liability as at 31 December 2024	**42,414,156**	**-**	**14,961,577**	**1,529,000**	**58,904,733**

13. Reconciliation of Insurance and Reinsurance Contracts (Continued)

Insurance contracts issued (continued)

	Liability for Remaining Coverage		Liability for Incurred Claims		
	Excl loss component	Loss component	Future cash flows	Risk adjustment	Total
	$	$	$	$	$
Opening insurance liability as at 1 January 2023	**35,060,904**	**-**	**13,166,492**	**1,529,000**	**49,756,396**
Insurance revenue	(116,019,061)	-	-	-	(116,019,061)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	18,466,384	887,663	19,354,047
Changes that relate to past services	-	-	47,566,779	(887,663)	46,679,116
Insurance acquisition cash flows amortization	13,666,081	-	-	-	13,666,081
	13,666,081	-	66,033,163	-	79,699,244
Insurance service result	(102,352,980)	-	66,033,163	-	(36,319,817)
Insurance finance expense	-	-	413,000	-	413,000
Total amounts recognized in comprehensive income	**(102,352,980)**	**-**	**66,446,163**	**-**	**(35,906,817)**
Cash flows					
Premiums received	126,301,329	-	-	-	126,301,329
Claims and other directly attributable expenses paid	-	-	(65,987,212)	-	(65,987,212)
Insurance acquisition cash flows	(14,953,163)	-	-	-	(14,953,163)
Total cash flows	**111,348,166**	**-**	**(65,987,212)**	**-**	**45,360,954**
Closing insurance liability as at 31 December 2023	**44,056,090**	**-**	**13,625,443**	**1,529,000**	**59,210,533**

13. Reconciliation of Insurance and Reinsurance Contracts (Continued)

The following tables present reconciliations of reinsurance assets.

Reinsurance contracts held

	Asset for Remaining Coverage		Asset for Incurred Claims		
	Excl loss recovery component $	**Loss recovery component $**	**Future cash flows $**	**Risk adjustment $**	**Total $**
Opening reinsurance asset as at 1 January 2024	**(24,075,151)**	-	**(6,232,432)**	**(818,000)**	**(31,125,583)**
Net expenses from reinsurance contracts held					
Reinsurance expenses	113,453,760	-	-	-	113,453,760
Incurred claims recovery	-		(1,873,825)	(228,104)	(2,101,929)
Changes that relate to past services	-	-	(721,536)	228,104	(493,432)
	113,453,760	-	(2,595,361)	-	110,858,399
Reinsurance finance income	-	-	(169,000)	-	(169,000)
Total amounts recognized in comprehensive income	**113,453,760**	**-**	**(2,764,361)**	**-**	**110,689,399**
Cash flows					
Premiums paid, net of ceding commissions	(116,031,801)	-	-	-	(116,031,801)
Recoveries from reinsurance and other directly attributable expenses paid	-	-	2,225,701	-	2,225,701
Total cash flows	**(116,031,801)**	**-**	**2,225,701**	**-**	**(113,806,100)**
Closing reinsurance asset as at 31 December 2024	**(26,653,192)**	-	**(6,771,092)**	**(818,000)**	**(34,242,284)**

13. Reconciliation of Insurance and Reinsurance Contracts (Continued)

Reinsurance contracts held (continued)

	Asset for Remaining Coverage		Asset for Incurred Claims		
	Excl loss recovery component $	**Loss recovery component $**	**Future cash flows $**	**Risk adjustment $**	**Total $**
Opening reinsurance asset as at 1 January 2023	**(20,812,992)**	**-**	**(5,663,901)**	**(818,000)**	**(27,294,893)**
Net expenses from reinsurance contracts held					
Reinsurance expenses	90,654,662	-	-	-	90,654,662
Incurred claims recovery	-	-	(7,959,216)	(588,080)	(8,547,296)
Changes that relate to past services	-	-	(50,719,415)	588,080	(50,131,335)
	90,654,662	-	(58,678,631)	-	31,976,031
Reinsurance finance income	-	-	(174,000)	-	(174,000)
Total amounts recognized in comprehensive income	**90,654,662**	**-**	**(58,852,631)**	**-**	**31,802,031**
Cash flows					
Premiums paid, net of ceding commissions	(93,916,821)	-	-	-	(93,916,821)
Recoveries from reinsurance and other directly attributable expenses paid	-	-	58,284,100	-	58,284,100
Total cash flows	**(93,916,821)**	**-**	**58,284,100**	**-**	**(35,632,721)**
Closing reinsurance asset as at 31 December 2023	**(24,075,151)**	-	**(6,232,432)**	**(818,000)**	**(31,125,583)**

RoyalStar Holdings Ltd.

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14. Claims Development

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 31 December 2024:

Insurance claims – Gross

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate claims cost:											
At end of accident year	13,465,475	255,102,671	58,488,299	7,256,701	317,707,546	7,247,128	5,807,528	10,625,990	10,804,515	9,753,711	696,259,564
One year later	63,523,329	278,874,890	53,730,565	6,298,087	296,296,655	7,020,031	5,025,786	12,321,814	10,806,215		
Two years later	70,908,987	258,223,820	53,682,732	4,566,200	289,233,405	6,869,159	4,749,713	11,935,539			
Three years later	55,106,050	251,375,340	55,347,032	4,385,534	284,966,929	6,770,159	4,507,636				
Four years later	54,365,556	251,835,057	55,121,323	4,547,546	324,671,721	6,542,154					
Five years later	54,256,803	252,038,193	54,533,129	4,345,175	324,713,121						
Six years later	54,243,553	251,887,696	65,882,617	4,341,394							
Seven years later	54,242,553	251,703,243	65,640,900								
Eight years later	54,252,553	251,701,797									
Nine years later	54,252,553										
Current estimate of cumulative claims	54,252,553	251,701,797	65,640,900	4,341,394	324,713,121	6,542,154	4,507,636	11,935,539	10,806,215	9,753,711	744,195,020
Cumulative payments to date	(54,242,553)	(251,701,797)	(65,640,900)	(3,988,894)	(324,198,121)	(6,434,697)	(4,247,994)	(10,455,583)	(6,776,089)	(3,563,033)	(731,249,661)
Liability included in gross provision of claims	**10,000**	**-**	**-**	**352,500**	**515,000**	**107,457**	**259,642**	**1,479,956**	**4,030,126**	**6,190,678**	**12,945,359**
Liability in respect of prior years											332,000
Effect of discounting											(1,072,000)
Effect of risk adjustment for non-financial risk											1,529,000
Expense accruals/payables included in the LIC											2,756,218
Gross LIC for contracts originated (Note 13)											**16,490,577**

RoyalStar Holdings Ltd.

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(Continued)

14. Claims Development (Continued)

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 31 December 2024:

Insurance claims – Net

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate claims cost:											
At end of accident year	4,650,023	9,354,395	6,312,245	6,976,057	9,443,677	4,804,977	5,033,074	5,276,745	5,443,638	7,598,832	64,893,663
One year later	4,837,901	9,289,889	5,527,490	5,955,122	8,698,799	3,769,215	4,244,737	4,672,990	4,774,558		
Two years later	4,701,524	9,084,808	5,646,440	4,350,050	8,609,810	4,007,481	4,032,859	4,365,847			
Three years later	4,886,270	9,524,973	5,568,945	4,208,222	8,675,248	4,124,583	3,826,575				
Four years later	4,785,003	9,920,549	5,584,701	4,218,196	8,310,351	3,799,872					
Five years later	4,675,155	10,009,046	5,768,127	4,005,825	8,310,351						
Six years later	4,661,905	9,870,813	5,832,617	3,937,044							
Seven years later	4,660,905	9,876,395	5,590,901								
Eight years later	4,670,905	9,879,950									
Nine years later	4,670,905										
Current estimate of cumulative claims	4,670,905	9,879,950	5,590,901	3,937,044	8,310,351	3,799,872	3,826,575	4,365,847	4,774,558	7,598,832	56,754,835
Cumulative payments to date	(4,660,905)	(9,879,950)	(5,590,901)	(3,817,044)	(8,235,351)	(3,799,872)	(3,567,933)	(3,761,205)	(4,080,226)	(3,340,444)	(50,733,831)
Liability included in gross provision of claims	**10,000**	**-**	**-**	**120,000**	**75,000**	**-**	**258,642**	**604,642**	**694,332**	**4,258,388**	**6,021,004**
Liability in respect of prior years											327,000
Effect of discounting											(774,000)
Effect of risk adjustment for non-financial risk											711,000
Expense accruals/payables included in the LIC											2,616,481
Gross LIC for contracts originated (Note 13)											**8,901,485**

15. Expenses by Nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

31 December 2024	Acquisition cash flows $	Other directly attributable expenses $	Other operating expenses $	Total $
Personnel costs	1,083,423	2,356,851	1,861,809	5,302,083
General and administrative	610,513	986,827	1,581,014	3,178,354
Directors' costs	-	101,200	25,300	126,500
Depreciation and amortization	63,769	147,160	642,407	853,336
	1,757,705	**3,592,038**	**4,110,530**	**9,460,273**

31 December 2023	Acquisition cash flows $	Other directly attributable expenses $	Other operating expenses $	Total $
Personnel costs	832,634	1,822,213	1,762,964	4,417,811
General and administrative	589,597	1,076,752	1,248,367	2,914,716
Directors' costs	-	106,000	26,500	132,500
Depreciation and amortization	80,511	185,794	883,381	1,149,686
	1,502,742	**3,190,759**	**3,921,212**	**8,614,713**

16. Preference Shares

The preference shares issued and fully paid are variable rate cumulative redeemable preference shares with a par value of $10 per share, redeemable solely at the option of the Group with the declaration of dividends at the discretion of the Directors of the Group. The dividend rate is Bahamian dollar Prime rate plus 2.00% payable semi-annually, and any dividends undeclared are cumulative and payable before any distribution to ordinary shareholders.

The preference shares issued and fully paid as at 31 December 2024 total 500,000 (2023: 500,000). The shares comprises 500,000 Series B preference shares.

17. Non-Controlling Interests

Non-controlling interests (NCI) comprise the issued and fully paid preference shares of RSA (Note 17) and the minority interest in STAR.

Star General Investments (G.B.) Limited holds a 20% interest in STAR. The summarized financial information of STAR as at 31 December before any intra-group eliminations, is as follows:

	2024 $	2023 $
Total assets	10,200,161	9,466,830
Total liabilities	6,303,178	6,247,865
Net assets	**3,896,983**	**3,218,965**
Agency and profit commissions	5,569,295	5,258,769
Other income	65,322	66,589
Agency expenses	4,156,599	3,845,664
Net income and total comprehensive income	**1,478,018**	**1,479,694**
Net cash from operating activities	1,675,287	1,804,441
Net cash used in investing activities	-	(115,207)
Net cash used in financing activities	(859,703)	(531,332)

18. Intangible Assets

	Goodwill $	Customer-related intangibles $	Total $
2024			
Balance as at beginning of year	1,684,233	2,422,081	4,106,314
Amortization charge for the year	-	(186,314)	(186,314)
Balance as at end of year	**1,684,233**	**2,235,767**	**3,920,000**
2023			
Balance as at beginning of year	1,684,233	2,794,709	4,478,942
Amortization charge for the year	-	(372,628)	(372,628)
Balance as at end of year	**1,684,233**	**2,422,081**	**4,106,314**

18. Intangible Assets (Continued)

Goodwill acquired through a business combination has been allocated to a single cash-generating unit for impairment testing.

The Group performed its annual impairment test of goodwill at 31 December 2024. The recoverable amount of STAR's cash-generating unit has been determined using the value-in-use calculation, based on a discounted cash flow model using a three-year cash flow forecast. The discount rate and commission growth rate used in the cash flow model was 16.4% and 3.0%, respectively. As the recoverable amount exceeds the carrying amount, management has concluded that there is no impairment for the cash-generating unit.

19. Related Party Balances and Transactions

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii). Related parties comprise significant shareholders, directors, key management personnel and entities in which these parties have control or significant influence.

The consolidated financial statements include the following balances and transactions with related parties, not otherwise disclosed:

	2024 $	2023 $
Other related parties		
Balances		
Due from agents	1,832,462	2,887,330
Investments:		
Fair value through profit or loss – Level 3	2,310,750	2,310,750
Transactions		
Net expenses from reinsurance contracts held	1,591,298	1,776,389
Insurance service expenses	3,043,305	2,937,555
Interest revenue from financial assets not measured at FVTPL	30,000	30,000
Key management personnel		
Personnel costs	2,257,449	1,615,769
Directors' costs	132,500	132,500

19. Related Party Balances and Transactions (Continued)

As at 31 December 2024, the Group had receivable balances due from related party agents totaling $6,170 (2023: $20,632) with an ageing over 90 days that are past due but not impaired (this excludes balances with network partners and policies under installment arrangements).

20. Employee Benefits

The pension costs recognized in the consolidated statement of comprehensive income in personnel costs in the current year totaled $103,193 (2023: $102,276). RSA's contributions to the pension plan vest 50% with employees upon completion of five years of employment, and fully vest upon completion of ten years of employment. STAR's contributions to the pension plan vest at a rate of 10% upon employees' completion of 1 year of employment. Vesting increases incrementally each year at this rate, with full vesting upon completion of 10 years of employment.

As at 31 December 2024, the Group employed 55 (2023: 52) persons.

21. Contingent Liabilities

The Group is a party to several legal actions involving claims that arise in the ordinary course of business activities. Management believes that the resolution of these matters will not have a material impact on the Group's consolidated financial statements and adequate provision has been made.

22. Leases

Group as lessee

The Group leases premises in Grand Bahama under a non-cancellable agreement for a fixed period of five (5) years, granting the Group an extension option that is reasonably certain to be exercised. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease liabilities are effectively secured as the rights to the leased assets recognized in the consolidated financial statements which will revert to the lessor in the event of default. The current portion of lease liabilities as at 31 December 2024 totaled $63,543 (2023: $59,703). Interest expense arising from lease liabilities during the year was $24,622 (2023: $28,232) and is recognized in the consolidated statement of comprehensive income.

23. Risk Management

The Group engages in transactions that expose it to insurance risk, credit risk, liquidity risk, and market risk (i.e., interest rate risk, price risk and currency risk) in the normal course of business. The Board's responsibilities include ensuring that the Group's principal risk management policies and related monitoring systems are adhered to. The Board monitors the integrity of the Group's risk management functions through various committees which report directly to the Board of Directors. The Committees are as follows: Audit & Compliance, Risk, Investment, Conduct Review and Administration & Compensation.

The Group's financial performance is affected by its capability to understand and effectively manage these risks, and its challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

Insurance risk

Insurance risk is the risk under insurance contracts that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group has a dedicated in-house claims department, which actively manages and pursues early settlements of claims to reduce the Group's exposure to unpredictable developments. The Group also uses external loss adjusters, as necessary. In respect of serious bodily injury claims and complex claim disputes, the Group will appoint legal counsel to act on its behalf, where necessary, to ensure settlements and avoid adverse claims development. However, the severity of claims can be affected by an increasing level of awards of the courts and inflation.

Property insurance risks

Property insurance contracts provide compensation for loss or damage to property and business interruption insurance contracts provide compensation for loss of profits following damage to the insured property. Such insurance contracts cover property, motor and marine risks, and are underwritten by reference to the commercial replacement value of the property and contents insured.

For property insurance contracts, it is believed that climatic changes are giving rise to more frequent extreme weather events (for example, hurricanes, tropical storms and storm surges) and intensifying the resulting damages. The Group mitigates the impact of these changes as it has: the right to re-price each individual risk on renewal; the ability to impose or increase deductibles; and payment limits to cap the amount payable on occurrence of the insured event. The cost of repairing or rebuilding properties, the cost of providing replacement or indemnity for damaged or stolen contents, and time taken to restart business operations are the key factors that influence the level of claims under these policies. The most likely cause of major loss under property insurance contracts arises from a hurricane or other serious weather-related event. Single events, such as fires and collisions, may also generate significant claims.

As property claims generally have short settlement periods, these claims can be estimated with greater reliability.

23. Risk Management (Continued)

Insurance risk (continued)

Casualty insurance risks

Casualty insurance contracts provide compensation for personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

The Group manages these risks through conservative underwriting and reinsurance strategies and the adoption of proactive claims management. Underwriting policies and procedures enforce appropriate risk selection criteria, and include the right not to renew individual insurance contracts and the right to reject the payment of a fraudulent claim. The frequency and severity of claims can be affected by several factors, including inflation, the level of awards of the courts and length of time to settle the claims.

Claims on casualty insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a longer period of time. Given the uncertainty in establishing reserves for such claims, it is possible that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims, the Group uses various industry standard loss estimation techniques, actuarial valuations and the experience of the Group in settling similar claims.

Concentrations of risk

The following table shows the concentration of net insurance contract liabilities by product line:

	2024			2023		
	Insurance	**Reinsurance**	**Net**	**Insurance**	**Reinsurance**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Property	44,675,219	29,745,281	14,929,938	45,802,590	27,225,949	18,576,641
Motor	5,729,760	(110,049)	5,839,809	5,149,663	(10,849)	5,160,512
Marine	2,636,555	2,014,649	621,906	2,676,085	1,938,193	737,892
Casualty	5,863,199	2,592,403	3,270,796	5,582,195	1,972,290	3,609,905
	58,904,733	**34,242,284**	**24,662,449**	**59,210,533**	**31,125,583**	**28,084,950**

Insurance premiums written in The Bahamas, Cayman Islands, Turks and Caicos Islands and Other Territories are distributed across the portfolio as follows: 58% (2023: 61%), 20% (2023: 19%), 8% (2023: 8%) and 14% (2023: 12%), respectively.

23. Risk Management (Continued)

Financial risk

The Group is exposed to a range of financial risks through its involvement with financial instruments and insurance/reinsurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk.

The Group manages these positions within the risk policy framework that has been developed to achieve long-term investment returns in excess of its obligation under insurance contracts. Within the risk policy the Group periodically produces analytical reports at portfolio and country level, that are circulated to the various Board Committees and key management personnel. The Group has not changed the process used to manage its risks from previous years.

(a) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of a contract. The Group's exposure to credit risk includes the majority of its assets.

Management of credit risk for financial instruments

The Group manages credit risk by setting credit risk limits within the risk appetite set by the Risk Committee. Credit limits are set for individual counterparties and geographical concentrations. The Group's policy is to invest in high-quality, liquid (that is, investment-grade) financial instruments. If credit risk deteriorates significantly, it is the Group's policy to sell these investments and to purchase high-quality, liquid financial instruments in return. The Group does not use credit derivative instruments to manage credit risk.

The Group places cash with banks in good standing with the applicable banking regulators; monitors the payment history of its agents before continuing to do business with them; and invests in debt securities of financially sound companies, including related parties.

The concentration of credit risk from financial instruments is primarily from balances due from agents. Related party agents' balances are supported by shares of the Group, indirectly owned by these parties that have been pledged in favor of the Group as collateral.

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for financial instruments (continued)

Model for expected credit loss

The Group applies the 'three-stage' model for impairment of financial assets based on changes in credit quality since initial recognition as summarized below:

Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition
Stage 2 – significant increase in credit risk since initial recognition but not yet deemed to be credit-impaired
Stage 3 – credit-impaired on payment default

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime expected credit losses that result from default events possible within the next twelve (12) months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The assessment of SICR incorporates forward-looking information and is performed at each reporting date. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by senior management.

Definition of default

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (that is, to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after cure, using different possible cure definitions.

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for financial instruments (continued)

Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the probability of default (PD), exposure at default (EAD), and loss given default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD), including expected drawdowns on committed facilities.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month (12M LGD) or lifetime basis (lifetime LGD), where 12M LGD is the percentage of loss expected to be non-recoverable if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be non-recoverable if the default occurs over the remaining lifetime of the obligation.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (that is, the exposure has not prepaid or defaulted in an earlier period). This effectively calculates an ECL for each future period, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a financial instrument portfolio from the point of initial recognition throughout the lifetime of the financial instrument. The maturity profile is based on historical observed data, and it is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for financial instruments (continued)

Explanation of inputs, assumptions and estimation techniques (continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by type of financial instrument. Macroeconomic expectations for sovereign securities and corporate debt are incorporated via their respective rating obtained from external credit rating agencies such as Moody's as part of their assessment of counterparty credit risk. For banks and corporate counterparties, the PD and related transition matrices are impacted on the basis of the Group's macroeconomic expectations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a SICR when one or more quantitative, qualitative or backstop criteria have been met.

Quantitative thresholds have been established to determine whether the remaining Lifetime PD at the reporting date has increased significantly compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized. A significant deterioration in credit quality is represented by a financial asset's credit rating migrating from investment grade to non-investment grade or, in the case of a financial asset which is below investment grade, having a two-notch downward movement in credit rating is defined as a SICR.

Qualitatively, for debt instrument securities, SICR occurs if the instrument meets one or more of the following criteria: significant increase in credit spread; significant adverse changes in business, financial and/or economic conditions in which the borrower operates; actual or expected forbearance or restructuring; actual or expected significant adverse change in operating results of the borrower; and significant change in collateral value (secured facilities only) that is expected to increase risk of default.

A backstop is applied and the debt financial instrument is considered to have experienced a SICR if the borrower is more than 30 days past due on its contractual payments.

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for financial instruments (continued)

Forward-looking information

The assessment of a SICR and the calculation of the ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and the ECL for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes might be significantly different from those projected.

Credit quality of financial instruments

The following tables contain an analysis of the credit risk exposure of the Group's debt instruments, including those that are measured at FVTPL. The Group's maximum exposure to credit risk arising from financial instruments is reflected in the carrying amounts of financial assets on the face of the consolidated balance sheet. These balances are categorized in Stage 1 as any past due amounts included below reflect mutually revised credit terms.

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at 31 December 2024	**$**	**$**	**$**	**$**
Cash on hand and at banks	12,690,280	-	-	12,690,280
Term deposits	26,727,028	-	-	26,727,028
Investments:				
Fair value through profit or loss	14,650,538	-	-	14,650,538
Amortized cost	1,129,723	-	-	1,129,723
Receivable and other assets:				
Due from agents	8,747,273	357,087	-	9,104,360
Due from customers	4,399,388	-	-	4,399,388
Other assets	525,754	-	-	525,754
Total	**68,869,984**	**357,087**	**-**	**69,227,071**

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for financial instruments (continued)

Credit quality of financial instruments (continued)

As at 31 December 2023	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Cash on hand and at banks	14,188,680	-	-	14,188,680
Term deposits	19,108,038	-	-	19,108,038
Investments:				
Fair value through profit or loss	7,159,898	-	-	7,159,898
Amortized cost	1,291,919	-	-	1,291,919
Receivable and other assets:				
Due from agents	16,063,776	647,931	-	16,711,707
Due from customers	4,331,113	-	-	4,331,113
Other assets	421,262	-	-	421,262
Total	**62,564,686**	**647,931**	**-**	**63,212,617**

Management of credit risk for reinsurance contracts held

In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence through the use of reinsurance arrangements. Reinsurance is primarily placed using a combination of proportional, facultative and excess of loss treaties. The Group has reinsurance coverage in place to limit the impact of claims in any one year, with such coverage designed to limit the impact of claims related to any single event and/or catastrophe to approximately 10% of total equity.

Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore, the Group is exposed to the risk that the reinsurers may be unable to fulfil their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multi-national reinsurers. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to the finalization of any contract. The financial analysis of reinsurers that is conducted at the Group level produces an assessment categorized by external credit ratings and internal reviews. The policy is to accept only low credit risk reinsurers (credit rating of minimum A). As at 31 December 2024, the majority of the Group's reinsurers had a minimum A.M. Best Financial Strength Rating of A (Excellent) or equivalent rating with alternate rating agencies.

23. Risk Management (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Management of credit risk for reinsurance contracts held (continued)

The Group does not anticipate any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

The amounts that best represent the maximum exposure to credit risk in reinsurance contract assets at the reporting dates are analysed below, using the Group's credit risk rating grading.

	AA+ $	A+ $	A $	A- $	B++ $	Total $
31 December 2024	3,921,537	8,188,206	21,575,331	557,210	-	**34,242,284**
31 December 2023	4,631,873	8,366,881	2,263,196	15,682,795	180,838	**31,125,583**

(b) Liquidity risk

Liquidity risk is the risk that the Group may not have the necessary funds to honor all of its financial commitments as they become due, including insurance claims.

The Group's liquidity management process, as carried out within the Group and monitored by the Group, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows, and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements.

Management of liquidity risk for financial instruments

All 'other liabilities' on the face of the consolidated balance sheet are due on demand.

The Group manages its liquidity risk by maintaining an appropriate level of liquid assets (principally cash at banks and term deposits), which mature or could be sold immediately to meet cash requirements for normal operating purposes. Except for certain investments (Note 8), all financial assets could result in cash inflows within one year.

As at 31 December 2024 and 2023, there were no financial liabilities for which the Group had an unconditional right to defer settlement for more than one year. Accordingly, a maturity profile of financial liabilities is not presented.

23. Risk Management (Continued)

Financial risk (continued)

(b) Liquidity risk (continued)

Management of liquidity risk for insurance contracts issued

The risk that the Group will be unable to fulfil policyholder commitments is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The majority of claims are settled within 12 months; therefore, the biggest risks connected with these claims are premium and reserving risks. For longer-tail claims (large claims, bodily injury) that take some years to settle, interest rate risk also applies, because IFRS 17 insurance contract carrying values are subject to interest rate risk variability.

The following table summarizes the maturity profile of portfolios of insurance contracts issued by the Group, rounded to the nearest thousand, that are liabilities for incurred claims based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

As at 31 December 2024	Up to 1 year $000's	Within 1 – 3 years $000's	Within 3 – 6 years $000's	Within 6– 9 years $000's	Greater than nine years $000's	Total $000's
Insurance contract liabilities	8,462	2,688	3,908	727	706	**16,491**
As at 31 December 2023						
Insurance contract liabilities	8,832	3,100	1,691	817	714	**15,154**

(c) Market risk

Interest rate risk

Interest rate risk is the risk that the fair values or cash flows of financial instruments may fluctuate significantly as a result of changes in market interest rates. The Group's exposure to fair value interest rate risk is considered minimal as its interest-bearing financial instruments for the most part have medium-terms to maturity or interest rates that periodically reset to market rates. See sensitivity analyses in Note 23(d).

23. Risk Management (Continued)

Financial risk (continued)

(c) Market risk (continued)

Price risk

Price risk is the risk that the fair values and/or amounts realized on the sales of financial instruments may fluctuate significantly as a result of changes in market prices. The securities held at fair value through profit or loss expose the Group to price risk. The Group invests in private equity securities of companies demonstrating profit potential generally accompanying underlying assets with fair values in excess of the entity's equity. Investments are also made in exchange traded securities of companies that the Directors of the Group, with the advice of an investment manager, consider to have income and/or capital gains potential.

For the year ended 31 December 2024, the All-Share Index of the Bahamas International Securities Exchange experienced a return of 5.49% (2023: 7.81%). The carrying amount of the Group's financial assets at fair value through profit or loss would increase/(decrease) by $580,575/($580,575) (2023: 510,338/($510,338)), if these investments experienced returns of 10% and -10%, respectively.

Currency risk

Currency risk is the risk that the fair values and/or amounts realized on settlement of financial instruments, and settlements of foreign currency transactions, will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized monetary assets and liabilities are denominated in currencies other than the Group's functional currency. The Group is not subject to significant currency risk as its foreign currency transactions and monetary assets and liabilities are denominated in currencies with foreign exchange rates currently fixed against the Group's functional currency.

(d) Sensitivity analyses

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact insurance contract liabilities (before and after risk mitigation by reinsurance contracts held), and profit and equity. The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. The Group's insurance contracts are measured under the PAA and, thus, only the LIC component of insurance contract liabilities is sensitive to possible changes in underwriting risk variables.

23. Risk Management (Continued)

(d) Sensitivity analyses (continued)

		As at 31 December 2024		As at 31 December 2023	
Impact on profit and equity		Gross of reinsurance $	Net of reinsurance $	Gross of reinsurance $	Net of reinsurance $
Factor	**Change**				
Interest rate	1% increase	(230,000)	(102,000)	(219,000)	(133,000)
	1% decrease	230,000	102,000	219,000	133,000
Expenses	5% increase	(1,094,313)	(432,154)	(983,504)	(620,457)
	5% decrease	1,094,313	432,154	983,504	620,457
Loss ratio	5% increase	(7,508,314)	(2,046,166)	(5,800,953)	(1,721,318)
	5% decrease	7,508,314	2,046,166	5,800,953	1,721,318
Impact on LIC					
Factor	**Change**				
Interest rate	1% increase	230,000	102,000	219,000	133,000
	1% decrease	(230,000)	(102,000)	(219,000)	(133,000)
Expenses	5% increase	1,094,313	432,154	983,504	620,457
	5% decrease	(1,094,313)	(432,154)	(983,504)	(620,457)
Loss ratio	5% increase	7,508,314	2,046,166	5,800,953	1,721,318
	5% decrease	(7,508,314)	(2,046,166)	(5,800,953)	(1,721,318)

24. Borrowings

The Group obtained a $5,000,000 non-revolving demand instalment loan, of which the proceeds were used for the buy-back of 500,000 Series A preference shares in 2021. The current portion of borrowings as at 31 December 2024 was $750,000 (2023: $750,000). The loan is fully repayable over a five-year term and is secured by a fixed deposit in the amount of $2,500,000. The loan has a variable interest rate which is pegged to the Bahamas Prime Rate, less 0.50%, subject to a floor of 3.50%.

The Group has complied with its financial covenants during the 2024 reporting period.

25. Capital Management

The Group's objectives when managing capital, which consists of total equity on the consolidated balance sheet, are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets in which the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

In each country in which the Group operates, the insurance regulator specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the country's insurance industry. The minimum capital requirements applicable to the Group range from $75,000 to $5,000,000. The Group has complied with all of the externally imposed capital requirements to which it is subject.

As at 31 December 2024, the Group maintained its A.M. Best Financial Strength Rating of A (Excellent) with a stable outlook.

26. Fair Values of Financial Instruments

Financial instruments utilized by the Group are limited to the recorded financial assets and liabilities included in the consolidated balance sheet. Carrying amounts of all financial instruments reflect fair values or are considered to approximate fair value given their short-term nature and/or interest rates that periodically reset to market interest rates. For long term financial assets with fixed interest rates, which are now actively traded in the local stock market; the assets are classified in financial assets at fair value through profit or loss (Note 8).

For financial assets, other than those measured at fair value, the fair value hierarchy is principally Level 2.

27. Subsequent Events

Subsequent to the year end, the Directors approved a dividend of $156,250 ($0.31 per share) on Series B preference shares.