KPMG

Asia Capital Reinsurance Group Pte. Ltd.
and its subsidiaries
Registration Number: 200617360M

Annual Report
Year ended 31 December 2020

Directors' Statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2020.

Business run-off

The Group and the Company ceased underwriting of new business with effect from 5 December 2019. The financial statements continue to be prepared on a going concern basis.

In our opinion:

(a) the financial statements set out on pages FS1 to FS90 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

Directors

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

Hsieh Fu Hua	
Sim Hwee Cher	
Neil Robin Mathison	
Martin Andreas Kauer	(Appointed on 31 March 2020)
Mayur Piyush Patel	(Appointed on 31 March 2020)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

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

Share Options

During the financial year, there were:

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

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

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

Auditors

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

On behalf of the Board of Directors

Martin Andreas Kauer
Director

Sim Hwee Cher
Director

31 March 2021

Statement on Corporate Governance

The Board's Conduct of Affairs

The Board of Directors (Board) as at the date of this statement comprises the following 5 directors:

(i) Hsieh Fu Hua, Chairman (Independent Non-Executive Director)
(ii) Sim Hwee Cher, (Independent Non-Executive Director)
(iii) Neil Robin Mathison (Independent Non-Executive Director)
(iv) Martin Andreas Kauer (Executive Director)
(v) Mayur Piyush Patel (Non-Executive Director)

The key information regarding the directors is set out below:

Name of Director	Nature of Appointment	Date When First Appointed	Board Committees	Academic and Professional Qualifications
Hsieh Fu Hua	Chairman and Independent Non-Executive Director	13 June 2018	Board Chairman, NC Chairman, RC Chairman	Bachelor of Business Administration (Honors) from University of Singapore
Sim Hwee Cher	Independent Non-Executive Director	9 September 2019	Board Member, AC Chairman	Bachelor of Accountancy (Honors) from University of Singapore
Neil Robin Mathison	Independent Non-Executive Director	30 June 2016	Board Member, RMC Chairman, AC Member, NC Member, RC Member	Bachelor of Science (Honors) from University of Southampton
Martin Andreas Kauer	Executive Director	31 March 2020	Board Member, RMC Member	MBA from University of Zurich, Switzerland
Mayur Piyush Patel	Non-Executive Director	31 March 2020	Board Member, AC Member, RMC Member, NC Member, RC Member	BSc in Economics with concentrations in Actuarial Science and Corporate Finance from University of Pennsylvania Philadelphia, USA

Board Balance

A majority of the Board comprises of independent directors, of which an independent director is also the Chairman. The composition of the Board is in line with the Directives issued by the Monetary Authority of Singapore ("MAS").

Board Responsibility

The Board directs and oversees the Company in the conduct of its affairs, undertaking a fiduciary role to ensure the corporate responsibility and ethical standards are met. It bears ultimate responsibility for the Company's governance, strategy, risk management and financial performance.

The following are the Board's key responsibilities:

(i) Setting the long-term strategic direction and long-term goals of the Company and its branches, representative offices and liaison offices and ensuring that adequate resources are available to meet strategic objectives;
(ii) Approving and monitoring capital and financial plans to ensure that they are in line with the Company's strategic directions, the annual budget, the annual financial statements, and capital expenditures and divestments;
(iii) Establishing a risk strategy and an effective enterprise-risk management framework for the management of risks;
(iv) Monitoring and reviewing Management's performance;
(v) Reviewing corporate plans and policies as well as major decisions;
(vi) Setting values and standards for the Company and ensuring that obligations to its stakeholders are understood and met; and
(vii) Considering sustainability issues (including environment and social factors) as part of the Company's strategy.
(viii) Observing and being guided by the regulations contained in the Singapore Companies Act ("The Act"); the Monetary Authority of Singapore's Regulations ("MAS Regulations"); the Constitution of the Company ("The Constitution") and applicable rules and regulations of MAS.

Delegation by the Board

To enable the Board to discharge its stewardship and fiduciary responsibilities effectively, Board committees are established and empowered with specific responsibilities based on written terms of reference. Each Committee has direct access to Management and the power to hire independent advisers as it deems necessary. As at the date of this statement, the Board committees established by the Board are as follows:

(i) Audit Committee ("AC");
(ii) Risk Management Committee ("RMC");
(iii) Nominating Committee ("NC"); and
(iv) Remunerating Committee ("RC"),

(collectively, the "Committee(s)" and singularly, the "Committee").

The terms of reference ("TORs") for each Committee stipulate the responsibilities of the Committee, quorum and voting requirements. The TORs are reviewed on a regular basis to ensure their continued relevance. Any change to the TORs for any Board Committee requires the approval of the Board. Further details of each Committee may be read in the following pages of this statement.

The Board has put in place the financial authorisation and approval limits for the operating and capital expenditure as well as acquisition and disposal of investments. Within these guidelines, the Board approves transactions above certain thresholds. The Board is also guided by the provisions of the Company's Constitution in which, certain transactions will require shareholder's approval will be recommended to the sole shareholder for approval.

<u>Material Transactions Requiring Board's Approval</u>

The following are material transactions requiring Board's approval :

(i) The Company's strategic and business plans;
(ii) The Company's annual budget;
(iii) Capital expenditure and expenditure exceeding annual budget and/or approval limits;
(iv) Strategic investments and divestments;
(v) Capital related matters including capital adequacy objectives and proposals for capital issuance and redemption;
(vi) Dividend policy; and
(vii) Risk strategy and risk appetite.

<u>Board Meetings and Attendance</u>

The Board meets on a regular basis and *ad-hoc* meetings are held when warranted. During the scheduled Board meetings, the Board is updated by Management on the Company's business activities and performance to enable the Board to have a deeper insight into the Company's businesses. The Chairman of each Committee will also update the Board on the matters discussed during the respective Committee meetings.

When exigencies prevent a director from attending the Board and Committees (where he is a member) meetings in person, he can participate by teleconferencing. Board approvals are also obtained through written resolutions circulated and approved as permitted under the Company's Constitution.

There were 3 (2019: 4) scheduled meetings during the financial year. Key matters discussed at these meetings include *inter alia* financial performance, corporate and risk strategies, business plans, significant operational and capital-related matters and matters reviewed by the Board Committees.

The table below sets out the number of meetings held and attended by the Board members during the financial year covering Board and each Committee's meetings:

Name of Director	Board Meetings Attended/ Held	AC Meetings Attended/ Held	RMC Meetings Attended/ Held	NC Meetings Attended/ Held	RC Meetings Attended/ Held
Hsieh Fu Hua	3/3	–	–	1/1	2/2
Martin Andreas Kauer*	3/3	–	2/2	–	–
Neil Robin Mathison	3/3	3/3	3/3	1/1	2/2
Sim Hwee Cher	3/3	3/3	–	–	–
Mayur Piyush Patel #	3/3	1/2	1/2	1/1	1/1

* *Appointed as Executive Director on 31 March 2020*
\# *Appointed as Non-Executive Director on 31 March 2020*

Board Induction and Training

Each Board member may undergo training as may be relevant or required by the Board so as to meet the fitness and propriety requirements.

New board members are issued with a letter of appointment and provided with salient information of the Company. They will undergo a series of induction briefings by members of Senior Management to familiarise themselves with the Company's operations and businesses. The NC reviews on an annual basis training curriculum that could be tailored to provide the incoming and existing directors with more in-depth trade and business-related knowledge, technical knowledge and governance and regulatory knowledge to enable the Board to provide leadership to Management.

Board Composition and Guidance

Independence of Judgement

The Board continues to exercise independent objective judgement in the Company's corporate affairs. The Company determines the independence of its Directors in accordance with the requirements set out in the MAS' Insurance (Corporate Governance) Regulations 2013 and MAS' Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore ("Guidelines").

Annual Review of Directors' Independence

The Company's NC conducts the review and determines the independence of the independent directors on the Board on the annual basis. In making its determination, the NC considers whether a director is: (i) independent of Management and business relationships; and (ii) independent based on length of service. The three directors considered independent by the NC were Hsieh Fu Hua, Neil Robin Mathison and Sim Hwee Cher. The independent directors provide the Board with objectivity and balance of perspectives. They also ensure that the performance of Management is objectively measured against the key performance indicators established annually to measure and guide Management's performance.

Board Composition and Size

The Board members collectively bring range and depth of experience and industry expertise to the table, representing diversity of nationality, skills and knowledge without interfering with efficient decision-making. The Board is of the view that the current size of the Board remains appropriate given the oversight provided by the Board of the holding company. The NC continues to review the size and composition of the Board taking into account the requirements of the business and the resourcing level required by the Committees as well as the Directives of the MAS and relevant laws.

Chairman and Chief Executive

A clear division of responsibilities between the Chairman and the Chief Executive allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads in its oversight of Management. The Chairman manages the Board's business, including its work in the various Committees, and ensures that its agenda furthers the strategic priorities of the Company. He also provides guidance to and encourages constructive relations among the Board, the Chief Executive and Senior Management.

On the basis that the present Chairman is independent, the Board does not see it necessary at this point in time to appoint a lead Independent Director. The Chairman provides a clear and distinct leadership to the Board on the Company's strategic growth. The Chief Executive oversees the execution of the Company's strategy and is responsible for managing its day-to-day operations.

Board Membership

New Directors

As part of the formal process of the appointment of new director(s), the NC will conduct the following assessment of each candidate (to fill a vacancy or to enhance the skill sets and effectiveness of the Board):

(i) review a candidate's qualifications, attributes, capabilities, skills, age, past experience and such other relevant factors as may be determined by the NC to determine whether the candidate is a fit and proper person for the office in accordance with the ACR's Fit and Proper Policy; and

(ii) ascertain whether the candidate is independent from any substantial shareholder of the Company and/or from Management and business relationship with the Company.

Upon appointment, a new director receives his letter of appointment detailing his terms of appointment; and gains an understanding of the Company's Management, business and governance practices through a series of induction briefings by members of Senior Management of the Company.

Rotation and Re-election of Directors

Pursuant to Guideline 4.2 of the Guidelines issued by the MAS, all the directors nominated of the Company should submit themselves for re-nomination and re-appointment to the Board at least once every three (3) years at the Annual General Meeting of the Company. The Directors are subject to the term of office stipulated in the MAS Directives, and the continuation of their office will require the approval from the MAS.

Directors' Time Commitment

The Board has not made a determination of the maximum number of listed company board representations a director may hold. However, the NC reviews each Board member's additional directorships in other corporations from time to time to ensure sufficient time commitment by each director. The NC is also provided with a listing of each Board member's other directorship for annual review.

Board Guidance

The Board is kept well-informed of the Company's businesses and affairs and updated on the industry trends and developments in which the businesses operate. This is to enable the Board to remain effective and robust and for members of the Board to engage in open and constructive debate and to challenge Management on its assumptions and proposals as part of good corporate governance. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, Non-Executive Directors have unrestricted access to Management, sufficient resources to discharge their oversight function effectively and receive periodic information papers and board briefings on latest market developments and trends and key business initiatives.

Board Performance

The NC makes an assessment at least once a year on whether the full Board and the various Committees are performing effectively, and it identifies steps for improvement. The evaluation covers a range of issues including Board composition, the timeliness and quality of information provided to the Board and its process, accountability and standards of conduct. The Board believes that having a robust evaluation process is critical to its performance.

Members of the Board are required to assess the effectiveness of the Board and Board Committees on an annual basis. The NC will evaluate the tabulated assessment results and will advise the Board whether the current assessment method is useful and effective in evaluating the Board's overall effectiveness.

Board Committees

A brief description of the composition of each Committee, responsibilities delegated to each Committee and its activities are set out below:

Audit Committee

Members of the AC comprise:

(i) Sim Hwee Cher (Chairman);
(ii) Neil Robin Mathison; and
(iii) Mayur Piyush Patel.

Members of the AC are appropriately qualified to discharge their responsibilities. Members of the AC have extensive accounting and financial management knowledge and experience. The AC members keep abreast of relevant changes through regular updates from the external auditors, on changes to accounting standards and issues which have a direct impact on the financial statements.

The AC's responsibilities include, *inter alia*:

(i) Reviewing annually the adequacy and effectiveness of the Company's financial, operational, compliance and information technology controls, as well as accounting policies and systems, which are collectively known as internal controls;
(ii) Reinforcing the effectiveness of internal and external audit processes;
(iii) Reviewing the financial reporting process and ensuring the integrity of the Company's financial statements;
(iv) Maintaining effective communication between the Board, management, external and internal auditors;
(v) Reviewing internal and external auditors' plans, the effectiveness of their audits, and the independence and objectivity of the external auditors;
(vi) Recommending the appointment, re-appointment and dismissal of the external auditors and approving the remuneration and terms of engagement to the Board; and
(vii) Approving the appointment, redeployment or termination of the Head of Internal Audit and senior officers of the internal audit function.

The AC also has the discretion to invite any director and executive to attend its meetings. Separate sessions with the external auditors and the Head of Internal Audit ("IA") are held without the presence of Management once during each financial year to discuss matters that have to be raised privately. The auditors, both internal and external, have unrestricted access to the AC, and to information and such persons within the Company as may be necessary to conduct the audit.

During the financial year, the AC reviewed with the IA and Catalina Group's Head of Internal Audit, the internal audit plan, scope and results of the internal audits, their evaluation of the system of internal controls and their audit reports.

The AC is satisfied that, during the financial year, the internal audit function is in good standing within the Company and is adequately resourced to fulfil its mandate. The AC also reviewed and evaluated the effectiveness, independence and objectivity of the external auditors, taking into consideration the nature and extent of the non-audit services that the external auditors provide to the Company.

Risk Management Committee

Members of the RMC comprise:

(i) Neil Robin Mathison (Chairman);
(ii) Mayur Piyush Patel; and
(iii) Martin Andreas Kauer.

The RMC's responsibilities include, *inter alia*:

(i) Maintaining a sound system of risk management and internal controls to safeguard the shareholder's interest and the Company's assets;
(ii) Recommending the Company's risk appetite framework and overall and specific risk governance frameworks, including risk authority limits to the Board for approval;
(iii) Reviewing annually the adequacy and effectiveness of the risk management and internal controls of the Company, including financial, operational, compliance and information technology controls;

(iv) Establishing adequate risk management practices for material risks, such as credit, market, underwriting, liquidity, country and transfer risk, interest rate risk, legal, compliance, fraud, reputational, regulatory and operational risks on a regular basis;
(v) Reviewing the current risk profile, risk tolerance level and risk strategy of the Company;
(vi) Overseeing an independent company-wide risk management system and ensuring there are sufficient resources to monitor risks;
(vii) Approving investment policy, strategic asset allocation, tactical asset allocation and investment risk limits of the Company in consultation with Investment Committee; and
(viii) Monitoring risk exposures and risk strategy in accordance with approved guidelines.

During the financial year, the RMC reviewed the above topics with Management. In addition, the RMC also reviewed the risk appetite statement, retrocession analysis, arrangements and strategy, and large claims and commutations development.

<u>Nomination Committee</u>

Members of the NC comprise:

(i) Hsieh Fu Hua (Chairman);
(ii) Neil Robin Mathison; and
(iii) Mayur Piyush Patel.

The NC's responsibilities include, *inter alia*:

(i) Reviewing and recommending Board appointments for the approval of the Board, taking into account the expertise, skills and knowledge offered by the candidate and the needs of the Board;
(ii) Recommending the membership of various Committees and the appointments of key senior positions;
(iii) Reviewing the independence of the Directors in line with MAS directives and regulations;
(iv) Reviewing training and professional development programs for the Board;
(v) Assessing the effectiveness of the Board and Committees annually; and
(vi) Succession planning of Directors and key senior positions.

The NC examined the skill sets of existing Board members and reviewed their suitability to contribute to specific Committees. In addition, the NC has also actively reviewed and discussed certain requisite changes to the composition of the Board in line with the directives and regulations of the MAS, for recommendation to the Board.

The NC is tasked with ensuring that Directors have given sufficient time and attention to the affairs of the Company and to decide if a director has been adequately carrying out, and is able to continue carrying out, the duties of a Director of the Company. In doing so, the NC will also consider the other directorships held by the Directors and their principal commitments. The NC has determined that all the Directors have devoted a satisfactory amount of time and attention to the Company.

Remuneration Committee

Members of the RC comprise:

(i) Hsieh Fu Hua (Chairman);
(ii) Neil Robin Mathison; and
(iii) Mayur Piyush Patel.

The RC's responsibilities include, *inter alia*:

(i) Overseeing the principles and framework of compensation for the Board and key senior positions to ensure their alignment with prudent risk-taking to build a sustainable business in the long term;
(ii) Ensuring that the remuneration policy is consistent with employment laws and regulations and remains relevant;
(iii) Approving employee incentive schemes and reviewing their effectiveness in employee retention and the creation of long-term value for the Company; and
(iv) Overseeing management development and succession planning to ensure that the Company strengthens its core competencies, bench strength and leadership pipeline.

Remuneration Matters

The RC of the Company reviews matters concerning remuneration of the Board, the Chief Executive and Senior Management. The RC approves the framework of remuneration for the entire organisation including the structuring of the long-term incentive plans. The RC also approves the annual salary increment pool and total incentive pool for distribution to staff of all grades and recommend the same for Board's approval.

The RC Chairman, together with the NC, reviews and recommends to the Board the specific remuneration packages for the Executive Director and the key senior personnel upon recruitment. The RC reviews the annual increments, variable bonuses, and other incentive awards, before present to the Board for approval.

Breakdown of Directors' Remuneration for the financial year ended 31 December 2020

Name of Director	Salary %	Directors' Fees %	Bonus %	Other Fees, Allowances and Benefits* %	Total %
Hsieh Fu Hua	–	100	–	–	100
Neil Robin Mathison	–	100	–	–	100
Sim Hwee Cher	–	100	–	–	100
Martin Andreas Kauer	–	–	–	–	–
Mayur Piyush Patel	–	–	–	–	–

* Other fees, allowances, meeting allowances and benefits including adviser fees, share based payment and out-of-pocket allowances.

None of the Directors has immediate family members who were employees of the Company and whose remuneration exceeded S$50,000 monthly in respect of financial year ended 31 December 2020.

Access to Information

Directors have direct access to Senior Management and may request Management to provide them with such additional information as needed in order to make informed and timely decisions. Directors have the discretion to engage external advisers at the expense of the Company.

Prior to each Board and Committee meetings, directors are provided with complete and relevant information concerning agenda items.

Accountability and Audit

Management provides Board members with detailed reports on the Company's financial performance and related matters prior to each quarterly Board meeting. The Board ensures timely and full disclosure of material corporate developments to its sole shareholder for its balanced and informed assessment of the Company's performance and position.

Risk Management and Internal Controls

Risk Management

Risk management has been disclosed in note 6 to the financial statements.

Internal Controls

The Board is assisted by the AC and RMC to ensure that sound internal controls, including operational, compliance and risk management policies and systems established by Management are maintained. In discharging its obligations, the Board relies on the findings of the internal and external auditors.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer on the effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC and RMC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2020, to address the risks which the Company considers relevant and material to its operations.

The system of internal controls and risk management provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Code of Conduct

The Company's Code of Conduct sets out the principles and standards of behaviour that are expected of all employees when dealing with customers, competitors, authorities and colleagues. The principles covered in the Code of Conduct include professional integrity, confidentiality and conflict of interest.

Whistleblowing Policy

The Company has revised its whistleblowing policy to adapt the Catalina Group's whistleblowing policy. The supporting whistleblowing procedure describes the process that would be followed when designated persons ("Whistleblowing Champion") evaluate and investigate such concerns. The whistleblowing policy is applicable to ACRG group of companies ("ACR Group"), including individuals working for ACR Group at all levels and employees whether permanent, fixed-term, at-will, or temporary (together, "Staff"). It provides guidelines for Staff to raise genuine concerns, or report in good faith of any misconduct as stated in the policy. Catalina operates a whistleblowing telephone and website hotline ("Whistleblowing Hotline") http://catalina.ethicspoint.com/ of which, the hotline is run by an independent third party external service provider and is available to all Staff to make disclosures. All reports made to the Whistleblowing Hotline will be sent (on either an anonymous or attributed basis) to the AC Chair of Catalina Holdings (Bermuda) Ltd. ("CHBL") to determine the appropriate action, or Staff may contact their Whistleblowing Champion directly as per the Whistleblowing Contacts. External/third parties should also be able to raise concerns by filing a report via ethics@catalinare.com. The e-mail link is also available on the webpage from the main Catalina website. All emails will be forwarded to AC Chair of CHBL.

Material Related Party Transactions

All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflicts of interest are to recuse themselves from the approval process of granting and managing related party transactions. Details of the Company's material related party transactions have been disclosed in the note 30 to the financial statements.

Internal Audit

Since the acquisition by CHBL, the Company's IA function has been working closely with Catalina Group's Head of Internal Audit in terms of audit activities and will report directly to the AC. The internal audit function is expected to meet the standard set by recognised professional bodies. The AC ensures that the internal audit function is adequately resourced, which is assessed annually and has appropriate standing within the Company.

Communication with Shareholder

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company is made available to its sole shareholder. This is done through various announcements and press releases.

Sole Shareholder's Participation and Right

Under the Company's Constitution, the sole shareholder is entitled to attend and vote at the annual general meetings in person, through an authorised corporate representative or by proxy. The shareholder may appoint a proxy, who need not be a shareholder of the Company.

Resolutions requiring shareholder's approval are tabled separately for adoption at the general meeting unless they are closely related and are more appropriate to be tabled together.

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Independent auditors' report

Member of the Company
Asia Capital Reinsurance Group Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Asia Capital Reinsurance Group Pte. Ltd. ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS90.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Other information

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

We have obtained the Directors' statement and Statement on corporate governance prior to the date of this auditors' report.

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

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

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

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2021

Statements of financial position
As at 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Assets					
Property and equipment	7	5,027	7,771	2,965	5,543
Intangible assets	8	68	68	68	68
Investment in subsidiaries	9	–	–	101,155	161,555
Investments	10	1,018,795	1,085,775	971,321	952,378
Investment properties	11	25,145	7,887	–	–
Assets held for sale	12	–	–	–	–
Deferred acquisition costs	13	28,081	93,809	27,848	93,047
Ceded share of insurance contract provisions	14	151,290	251,402	146,808	235,173
Deferred tax assets	24	13,748	10,122	13,655	10,122
Insurance receivables	15	209,762	406,955	198,526	399,645
Amount due from holding company	16	20,024	1,797	20,024	1,110
Amount due from subsidiaries	17	–	–	525	1,415
Amount due from related company	18	–	19,270	–	19,270
Other receivables	19	9,244	3,030	9,180	2,985
Current tax assets		–	596	–	596
Cash and cash equivalents	20	168,854	265,448	102,695	139,488
Total assets		1,650,038	2,153,930	1,594,770	2,022,395
Equity					
Share capital	21	858,198	858,198	858,198	858,198
Reserves	21	19,596	16,312	15,513	11,694
Accumulated losses		(130,399)	(80,480)	(149,043)	(153,727)
Total equity		747,395	794,030	724,668	716,165
Liabilities					
Insurance contract provisions	14	817,230	1,273,010	791,910	1,224,933
Ceded share of deferred acquisition costs	13	1,553	6,621	1,338	6,536
Financial liabilities	10	9,578	2,979	9,578	2,979
Lease liabilities	29	2,086	4,208	2,072	4,189
Deferred tax liabilities	24	536	1,247	536	453
Insurance payables	22	55,506	39,465	50,442	35,816
Other payables and accruals	23	15,852	32,068	14,028	30,426
Current tax liabilities		302	302	198	898
Total liabilities		902,643	1,359,900	870,102	1,306,230
Total equity and liabilities		1,650,038	2,153,930	1,594,770	2,022,395

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

Consolidated statement of profit or loss
Year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Gross			
Written premiums		(3,867)	655,867
Change in provision for unexpired risks		274,296	(1,466)
Earned premiums	14	270,429	654,401
Claims incurred	14	(249,916)	(491,853)
Amortisation of deferred acquisition costs	13	(68,584)	(160,153)
Gross technical underwriting results		(48,071)	2,395
Ceded			
Written premiums		(6,134)	(90,562)
Change in provision for unexpired risks		(35,944)	(11,313)
Earned premiums	14	(42,078)	(101,875)
Claims incurred	14	22,502	75,892
Amortisation of deferred acquisition costs	13	5,928	14,373
		(13,648)	(11,610)
Net			
Written premiums		(10,001)	565,305
Change in provision for unexpired risks		238,352	(12,779)
Earned premiums	14	228,351	552,526
Claims incurred	14	(227,414)	(415,961)
Amortisation of deferred acquisition costs	13	(62,656)	(145,780)
Net technical underwriting results		(61,719)	(9,215)
Net operating expenses		(33,965)	(41,501)
Loss from reinsurance business		(95,684)	(50,716)
Net investment income	25	44,882	78,337
Other operating expenses	26	(1,147)	(29,127)
Loss before tax		(51,949)	(1,506)
Income tax credit	27	2,030	730
Loss for the year	28	(49,919)	(776)

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

Consolidated statement of comprehensive income
Year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Loss for the year		(49,919)	(776)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property		(132)	130
Tax on other comprehensive income	27	33	(31)
		(99)	99
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences of foreign operations		376	1,225
Net (loss)/gain on hedge of net investment in foreign operation		735	(1,623)
Net change in fair value of available-for-sale financial assets		10,117	39,444
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	25	(7,845)	(7,560)
Tax on other comprehensive income	27	–	(5)
		3,383	31,481
Other comprehensive income for the year, net of tax		3,284	31,580
Total comprehensive income for the year		(46,635)	30,804

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

Consolidated statement of changes in equity
Year ended 31 December 2020

	Share capital US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2019	858,198	1,167	(16,282)	(153)	(79,704)	763,226
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(776)	(776)
Other comprehensive income						
Foreign currency translation differences of foreign operations	–	1,225	–	–	–	1,225
Net gain on hedge of net investment in foreign operation	–	(1,623)	–	–	–	(1,623)
Net change in fair value of available-for-sale financial assets	–	–	39,444	–	–	39,444
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	(7,560)	–	–	(7,560)
Revaluation of property	–	–	–	130	–	130
Tax on other comprehensive income	–	–	(5)	(31)	–	(36)
Total other comprehensive income, net of tax	–	(398)	31,879	99	–	31,580
Total comprehensive income for the year	–	(398)	31,879	99	(776)	30,804
At 31 December 2019	858,198	769	15,597	(54)	(80,480)	794,030

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

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2020

	Share capital US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2020	858,198	769	15,597	(54)	(80,480)	794,030
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(49,919)	(49,919)
Other comprehensive income						
Foreign currency translation differences of foreign operations	–	376	–	–	–	376
Net gain on hedge of net investment in foreign operation	–	735	–	–	–	735
Net change in fair value of available-for-sale financial assets	–	–	10,117	–	–	10,117
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	(7,845)	–	–	(7,845)
Revaluation of property	–	–	–	(132)	–	(132)
Tax on other comprehensive income	–	–	–	33	–	33
Total other comprehensive income, net of tax	–	1,111	2,272	(99)	(49,919)	(46,635)
Total comprehensive income for the year	–	1,111	2,272	(99)	(49,919)	(46,635)
At 31 December 2020	858,198	1,880	17,869	(153)	(130,399)	747,395

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

Consolidated statement of cash flows
Year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Loss for the year		(49,919)	(776)
Adjustments for:			
Depreciation of property and equipment	7	2,850	1,087
Gain on disposal of property and equipment		(69)	–
Write-off of work-in-progress		–	7,779
Loss/(gain) on revaluation of investment properties		504	(173)
Net fair value gain on investments		(7,422)	(3,201)
Investment income		(35,595)	(48,455)
Gain on disposals of investments, net		(2,634)	(28,349)
Allowance for impairment of insurance receivables		2,495	2,902
Bad debts written off		51	–
Rental income		(1,497)	–
Unrealised foreign exchange gains on investments		(6,241)	–
Investment expenses		1,804	2,076
Tax income		(2,030)	(730)
Operating loss before changes in working capital		(97,703)	(67,840)
Increase in reinsurance assets		100,112	13,515
Decrease/(increase) in deferred acquisition costs		60,660	(3,521)
Decrease/(increase) in trade and other receivables		188,840	(74,001)
(Decrease)/increase in reinsurance contract liabilities		(455,780)	79,108
Increase in trade and other payables		1,598	50,121
Cash used in operating activities		(202,273)	(2,618)
Tax paid		(1,550)	(588)
Net cash used in operating activities		(203,823)	(3,206)
Cash flows from investing activities			
Interest received		21,302	34,662
Payment for acquisition of investment property		(17,645)	–
Rental received		1,496	–
Dividends received		15,569	14,016
Proceeds from sale of investments		675,658	690,314
Proceeds from sale of property and equipment		342	2
Settlement of derivatives		9,895	1,133
Acquisition of investments		(594,806)	(601,724)
Payment of investment expenses		(2,233)	(2,141)
Acquisition of property and equipment		(579)	(9,072)
Disposal of assets held for sale		–	1,275
Net cash from investing activities		108,999	128,465
Cash flows from financing activities			
Loan repayment from related company	21	19,270	–
Loan to holding company		(20,000)	–
Payment of lease liabilities		(2,023)	(481)
Movement from restricted cash		26,476	(69,830)
Net cash generated/(used) in financing activities		23,723	(70,311)
Net (decrease)/increase in cash and cash equivalents		(71,101)	54,948
Cash and cash equivalents at beginning of the year		195,618	140,174
Effect of exchange rate fluctuations on cash held		983	496
Cash and cash equivalents at end of the year	20	125,500	195,618

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2021.

1 Domicile and activities

Asia Capital Reinsurance Group Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore and has its registered office at 6 Temasek Boulevard, #08-01 Suntec Tower 4, Singapore 038986.

The Company is a wholly-owned subsidiary of Catalina Holdings (Bermuda) Ltd., a company incorporated in Bermuda, with effect from 31 March 2020. The financial statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group and the Company ceased underwriting of new business with effect from 5 December 2019 and has been acquired by Catalina Holdings (Bermuda) Ltd ("Catalina") on 31 March 2020, a Bermuda domiciled group which specialises in the acquisition of (re)insurance companies or active portfolios of business to be placed in run-off. Following this, the principal activities of the Group are those relating to the acquisition and management of non-life insurance and reinsurance companies and portfolio of insurance and reinsurance business in run-off. The Company is licensed as a general and life reinsurer under the Singapore Insurance Act, Chapter 142 (the "Insurance Act"). The principal activities of the Company are those of a non-life run-off consolidator. The financial statements continue to be prepared on a going concern basis.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRSs").

The assets and liabilities of the Group, which relate to the reinsurance business carried on in Singapore, are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act and the Company continues to be able to meet the solvency requirements of Section 18 of the Insurance Act and Insurance (Valuation and Capital) Regulations. All other assets and liabilities are accounted for in the books of the non-insurance funds.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

The financial statements of the Group and the Company represent the combined assets and liabilities and income and expenses of the insurance and non-insurance funds.

2.3 Functional and presentation currency

These financial statements are presented in United States dollar (US$), which is the Company's functional currency. All financial information presented in United States dollar have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 – Critical accounting estimates and judgements in applying accounting policies.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRSs, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 6 – Risk management.

2.5 Changes in accounting policies

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2020, except as set out on note 32:

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business (Amendments to FRS 103)*
- *Definition of Material (Amendments to FRS 1 and FRS 8)*
- *Interest Rate Benchmark Reform (Amendments to FRS 109, FRS 39 and FRS 107)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as stated otherwise.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measured goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of control

Where the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statement

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

Accounting policies of the subsidiaries

All significant accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for differences which are recognised in other comprehensive income ("OCI") arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations, are translated to United States dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollar at exchange rates at the dates of the transactions. Fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in OCI, and are presented within equity in the foreign currency translation reserve. When a foreign operation is disposed of such that the control or significant influence is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

3.3 Property and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Buildings held for own use are revalued every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

Surplus arising from revaluation are credited to the property revaluation reserve account. Any deficit arising from the revaluation is charged against the property revaluation account to the extent of a previous surplus held in that account for the same assets. In all other cases, a decrease in the carrying amount is charged to profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

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

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Computer equipment	3 years
Motor vehicle	3-5 years
Office equipment	3 years
Furniture and fittings	3 years
Right-of-use assets	over the relevant lease terms, typically 2 – 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment properties

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When an item of property and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3.5 Intangible assets

Club membership

Club membership is recognised as an intangible asset. Club membership is measured at cost less accumulated impairment losses, if any.

3.6 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise debt securities and investment funds that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using effective interest rate method or cost if the effect of amortisation is not material, less any impairment losses.

Loans and receivables comprise due from holding company, loan to related company, other receivables (excluding prepayments) and cash and cash equivalents.

Cash and cash equivalents comprise cash and bank balances and deposits with financial institutions.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. The Group's investments in certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise debt securities and funds.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category which comprise amounts due to holding company and other payables and accruals.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency, credit and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

3.7 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amounts are estimated.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

3.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay future amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

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

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

3.9 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

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

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

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property *in* 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases

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

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment properties is recognised as 'net investment income' on a straight-line basis over the term of the lease.

3.10 Provisions

A provision, other than insurance contract provisions, is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11 Affiliated corporations

An affiliated corporation is a corporation in which a substantial shareholder of the holding company has a substantial interest.

3.12 Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party by agreeing to compensate the beneficiary if a specified uncertain future event (the insured event) adversely affects the cedants are classified as insurance contracts.

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

3.13 Insurance contracts

Written premiums and earned premium revenue

Written premiums include premiums on contracts entered into during the year, irrespective of whether they relate in part to later financial years. Written premiums are disclosed gross of commission payable to cedants and intermediaries.

Premiums are first recognised as written on the date that the contract is incepted. Written premium is recognised based on estimates of ultimate premiums provided by the ceding companies. Initial estimates of written premium are recognised in the year in which the underlying risks incept. Subsequent adjustments, based on reports of actual premium by the ceding companies or revisions in estimates, are recorded in the year in which they are determined.

Earned premium comprises premium written during the financial year and changes in provision for unexpired risks. Premiums are earned from the date of attachment of risk, over the indemnity period, in accordance with the pattern of the exposure of risk expected under the contracts. The pattern of the risk exposure is generally matched by the passage of time.

Provision for unexpired risks

The provision for unexpired risks includes a provision for unearned premium and any additional provision for premium deficiency. The provision for unearned premium is calculated using written premiums for all classes of business in accordance with the pattern of risk underwritten. An additional provision for premium deficiency is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premium in relation to such policies.

Provision for unexpired risks denominated in foreign currencies at the reporting date is translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Claims incurred and provision for insurance claims

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

Provision for insurance claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not and related internal and external claims handling expenses. Provision for insurance claims are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Provision for insurance claims denominated in foreign currencies at the reporting date is translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its cedants. Premiums relating to reinsurance ceded are recognised as an expense in accordance with the pattern of reinsurance service received.

Ceded share of earned premiums and claims incurred are presented in profit or loss and statement of financial position separately.

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

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

Deferred acquisition costs

Acquisition costs comprise commissions and brokerages which vary with and are directly related to the acquisition and renewal of insurance contracts. These acquisition costs are deferred, to the extent that they are recoverable and amortised consistent with the expiration of the risks associated with the underlying insurance contracts.

Deferred acquisition costs denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Liability adequacy test

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

3.14 Receivables and payables related to insurance contracts

Insurance receivables and insurance payables are recognised on the date that the Group becomes a party to the insurance contracts. These include amounts due to and from reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivables is impaired, the Group reduces the carrying amount of the insurance receivables and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in note 3.6.

3.15 Investment income and expenses

Investment income

Investment income comprises interest income, dividend income, net realised gains/losses resulting from disposal of investments and net fair value gains/losses on financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established.

Investment expenses

Investment expenses comprise fees paid to external investment managers and fund administration costs.

3.16 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

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

3.17 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and certain executive officers are considered as key management personnel of the Group.

3.18 Assets held for sale

Assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

3.19 Government grants

Cash grants received from the tax authority in relation to the Jobs Support Scheme (JSS) are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systemic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

4 Critical accounting estimates and judgements in applying accounting policies

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates. The critical accounting estimates made by the management in applying accounting policies relate to the provisions for unexpired risks, insurance claims and fair values of the Group's investments.

The insurance contract provisions for general reinsurance business consist of claims liabilities and premium liabilities. The process undertaken by the Group to derive the insurance contract provisions of the general reinsurance business is as follows:

Process involved in determining claims liabilities

The Group determines the claims liabilities in accordance with internationally recognised practices. The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, given the uncertainty in establishing a provision for insurance claims, it is likely that the final outcome could prove to be significantly different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The data used for determining the expected ultimate claims liabilities is collated internally based on information received from cedants relating to business underwritten by the Group. This is further supplemented by externally available information on industry statistics and trends.

The Group's reserving methodology estimates the expected ultimate claim amounts for the portfolio of risks by analysing the historical data, pricing and underwriting information, current market, legal and socio-economic environment and likely future trends.

The Group sets aside case reserves after taking into consideration the claim circumstances, current available information and historical evidence of similar claims. Case reserves are reviewed regularly and updated as and when new information becomes available. However, the ultimate claims liabilities may vary significantly as a result of subsequent developments.

The Group systematically and periodically reviews the provisions established and adjusts the loss estimation process in an effort to minimise variations between the actual final outcome and the original projection. The provisions for outstanding claim liabilities are discounted for the time value of money.

Provisions for insurance liabilities as at 31 December 2020 have been assessed by the Company's actuarial reserving team, with the in-house reserve results peer reviewed by an external consulting actuarial firm.

In estimating the claims liabilities, risks were categorised into various reserving cohorts, with a view to balance the need for statistical stability and homogeneity in respect of factors including risk characteristics and loss reporting patterns. Broadly, the segregation of risks was guided by class of business and type of reinsurance.

The Group uses a number of reserving methods to estimate the ultimate claims liabilities. These methods include Incurred Chain Development ("ICD") Method, Incurred Bornhuetter-Ferguson ("BF") method and Expected Loss Ratio method. In the reserve valuation, loss statistics are arranged by underwriting year.

To the extent that the statistical method uses historical claims development information, it is assumed that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the mathematical models. Such reasons include:

- Changes in processes that affect the development/recording of claims paid and incurred;
- Economic, legal, political, social and environmental trends, which could result in different expected levels of inflation, claim frequency and severity;
- Changes in business composition; and
- Random fluctuations, including the impact of a higher frequency of large losses.

The best estimate of claims liabilities is discounted based on a basket of Asian/US risk-free rates of varying durations with a 0.5% liquidity premium added on top of them, reflecting the expected currency composition of underlying liabilities.

Process involved in determining premium liabilities

The Group determines the premium liabilities based on the higher of unearned premium reserves ("UPR") less deferred acquisition costs and unexpired risk reserves ("URR") at the insurance fund level, with a minimum of URR by line of business.

The URR needs to be adequate to meet future claims plus the portion of the Group expenses associated with administering the run-off of these claims. The URR is discounted based on a basket of Asian/US risk-free rates of varying durations with a 0.5% liquidity premium added on top of them, similar to claims liabilities.

Rather than calculating the UPR on a uniform basis for all types of contracts, the Group has considered the actual underlying risk exposure and approximated the appropriate premium recognition patterns.

Sensitivity analysis

The sensitivity analysis is performed on the net premiums and net claims liabilities, based on changes in assumptions that may affect the level of liabilities. The assumptions considered in the sensitivity analysis are as follows:

- Discount rate
- Technical combined ratio

To test the sensitivity of premium and claims liabilities separately for gross and net of reinsurance recoveries, changes in the discount rates, simultaneous changes in the discount rate for all durations were considered. The level of change is from –1% to +1%. The result at each change level is then compared to the premium and claims liabilities, net of reinsurance recoveries.

The assumption that has the greatest effect on the determination of insurance contract provisions is the expected loss ratio (in percentage terms). Expected loss ratios are derived with reference to expected technical combined ratio. The test was conducted based on a change level of -10% to 10% (2019: -10% to +10%) of the net earned premiums, net of reinsurance recoveries. The impact on profit or loss is shown below.

	Net of reinsurance			
	Discount rate		**Technical combined ratio**	
	+1%	**–1%**	**+10%**	**–10%**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Group				
2020				
Profit/(Loss)	10,203	(10,628)	(22,835)	22,835
2019				
Profit/(Loss)	11,255	(11,733)	(55,253)	55,253

In addition, premium and claims liabilities are determined as best estimates. An additional provision of approximately US$67.5 million (2019: US$77.5 million) (net of reinsurance) is required if premium and claims liabilities are calculated at a 75% level of sufficiency and discounted based on a basket of Asian/US risk-free rates of varying durations.

Process involved in determining the fair values of the investments

The fair values of investments are based on current bid prices or last traded prices obtained from independent price sources such as Bloomberg and Interactive Data Corporation ("IDC"). For securities that are not actively traded and valuations are not available on Bloomberg, the fair values are based on bid prices obtained from brokers.

5 Reclassification of comparative information in the statement of cash flows

Acquisition of property and equipment has been reclassified from cash flows from financing activities to cash flows from investing activities.

6 Risk management

6.1 Risk management framework

The Group is exposed to a variety of reinsurance and financial risks in the normal course of its business activities. The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is the approving authority for changes and exceptions to all key risk management strategy and policies which are established to identify, analyse, manage and monitor the risks faced by the Group. The Board is also responsible for approving the Group's risk tolerance and risk limits. The Board is supported by the Risk Management Committee ("RMC").

The Group leverages on Enterprise Risk Management ("ERM") framework to identify potential events that may affect the organisation and manage risk to be within its risk appetite to provide reasonable assurance regarding the achievement of organisation objectives.

The ERM framework provides a systematic and holistic risk management approach throughout the organisation and facilitates alignment of risk appetite, business strategy and capital management. Under this framework, the Group can effectively manage and assess its solvency condition by linking business strategy and capital management through a clearly defined risk appetite. The Group defines its risk appetite into various levels and limits. Key risk indicators are then developed in line with these various risk levels so that the risk-taking activities of the various business and functional units can be measured and controlled. The Group has put in place key policies and guidelines to ensure risks are identified and controlled and these are regularly reviewed.

The ERM framework enables management of downside risks, improves quality of risk-taking and facilitates sustainable business development by identifying and addressing potential obstacles to achieving the organisational objectives. The framework also provides a comparable and consistent measurement of the various risks from different business areas and functions.

The ERM framework is continuously being operationalised to consistently and systematically evaluate, manage and monitor risks and being refined to strengthen the effectiveness of the Group's risk management practices.

The Group continues to build risk management culture by implementing a risk governance structure, defining roles of responsibilities and setting up clear channels of communication regarding risk management objectives and plans.

The ERM framework provides three lines of defence to mitigate the Group's risks:

(i) Risk owners in business and functional units conduct day-to-day activities in accordance with the framework by properly identifying, assessing, controlling, managing and monitoring risks. The risk management practices are governed by risk management policies for various major risk categories and guidelines for specific business and functional units.

(ii) The ERM and Compliance departments facilitate the risk management practices, develop risk management system and tools, monitor and communicate material risks. The ERM team also has direct access to the Board of the holding company through the RMC for independent reporting of significant risk issues.

(iii) The internal audit unit provides independent assurance of integrity of the risk management process and effectiveness of internal controls. The unit works independently within the holding company and reports directly to the Audit Committee of the holding company.

6.2 Insurance risk management

Reinsurance and insurance risk refers to the risk of financial loss and consequent inability to meet liabilities as a result of inadequate or inappropriate underwriting, claims management, product design, pricing and reserving.

The Group manages insurance risk by monitoring factors that affect the perils and coverage of the policies such as changes in the macroeconomic or industry landscapes and risk environment. The Group continuously strengthens its information technology system and data management framework to ensure quality data is available for comprehensive portfolio analysis and actuarial studies.

(a) Underwriting risks

The various underwriting risks and processes and protections put in place in relation to these risks by the Group are as follows:

Merger and acquisition (M&A) risk

The group is involved in the acquisition of property & casualty insurance and reinsurance portfolios that are in run off. This is effected by various means including reinsurance transactions such as loss portfolio transfers, business transfers or novations and corporate acquisitions.

Prior to acquiring any portfolios, the Group conducts a detailed assessment and due diligence on the subject portfolio, the process for which is managed by the Group's M&A team. As part of the due diligence process, the (re)insurance liabilities of these portfolios are valued using a variety of actuarial methodologies in order to determine the appropriate premium to charge for the risks being taken on. A recommendation is then made to the Group's Transaction Committee. The Transaction Committee involves senior members of the Group's management team, who have many years of experience in the insurance and reinsurance industry, and they ultimately approve or decline the proposed acquisition. The Group's M&A team comprises executives with relevant skills in sourcing, due diligence and pricing.

The Group accepts portfolios from around the world including the United Kingdom, Continental Europe, North America and Asia. This ensures diversification and reduces the risk of systemic mispricing error.

Stochastic claims risk

The occurrence, size and payment timing of reinsurance claims is an inherently stochastic process and random adverse fluctuations pose a risk to the Group.

The Group's risk and capital management are designed and executed in order to maintain an MAS CAR of 200% on total funds basis, post a 1 in 1000 year return period loss event affecting the Company over a one year horizon. The 1 in 1000 year return period event, benchmarked against the natural catastrophe peak scenarios, is modelled to result in a US$11 million (2019: US$60 million) (net of retrocession) negative impact on profit or loss.

The significant diversification of the Group's business across countries and lines of businesses also reduces the impact of any single claim.

Reserving risk

The estimation of liabilities is inherently uncertain. The uncertainties can arise from the following factors:

- Range and quality of data available
- Model error
- Parameter error
- Random volatility in future experience

Once a claim has occurred, the Group must set aside adequate claims reserve to meet the ultimate cost of those claims. There are typically a number of components of the reserves:

- Case estimate – an estimate for a particular known claim of the amount of the ultimate claim cost taking into the particular circumstances of the claim.

- IBNER – known as "incurred but not enough reported". This is a portfolio adjustment to all case estimates reflecting any overall inadequacy (if any) in those amounts.

- IBNR – known as "incurred but not reported". This is an estimate of claims costs that have been incurred but have not yet been reported to the Group.

- Claims expense costs – this is an amount that is set aside for the expected costs of administering claims settlement.

In addition to reserving for outstanding claims, a reserve may need to be established for any inadequacies (if any) in unearned premium. Unearned premiums should reflect the amount of future exposure remaining over other period of the underlying contract. Circumstances may have arisen since accepting a particular risk that leads the Group to re-evaluate the exposure and as a result, the unearned premium might be inadequate.

(b) Concentration/accumulation of insurance risks

Claims can accumulate from various contracts from a single systemic cause, such as a natural catastrophe or change in liability award levels. Further concentration can occur if parts of the same risks are accepted from different cedants. Such accumulations can put financial strain on the resources of the Group.

The Group closely monitors potential accumulation for natural catastrophes throughout Asia. Risks for each potential natural catastrophe are captured within the Group's systems and are frequently analysed.

The Group has natural catastrophe specialists who assess the impact of potential accumulations. Accumulation is assessed using a number of different methodologies to ensure reliability and to reduce the risk of systemic misevaluation. In addition to proportional retrocession arrangements, the Group has in place an excess of loss reinsurance protection for natural catastrophes amounting up to US$40 million (2019: US$290 million). The Group also carries out regular analysis to monitor potential concentration of the same risk reinsured from different cedants.

The following tables set out the Group's concentration of insurance risks by countries based on the location of the ceding insurer or reinsurer and lines of business by gross written premiums.

During the year, the written premiums represent overall net premium adjustments from prior recognised amounts due to the cessation of underwriting activities since December 2019.

	2020	**2019**
	US$'000	**US$'000**
Countries		
Mainland China	5,295	136,400
Taiwan	(3,227)	25,424
Hong Kong and Macau	1,061	17,022
Japan	(13,398)	99,192
India	7,758	47,057
South Korea	(8,754)	38,632
Vietnam	9,496	27,634
Thailand	(366)	21,038
Singapore	3,000	26,024
Turkey	1,862	11,928
UAE	537	16,994
Others	(7,131)	188,522
	(3,867)	655,867
Line of business		
Aviation	(3,263)	34,799
Casualty	(7,820)	39,077
Credit	6,898	49,379
Energy	(997)	16,763
Engineering	3,218	33,933
Marine	2,920	94,076
Motor	(575)	88,078
Property	(4,248)	299,762
	(3,867)	655,867

(c) Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The impact of exchange differences between transaction rate and period end rate is shown at the bottom of the table. The Group also presents tables showing the development of the gross earned premiums for each underwriting year at each reporting date.

Underwriting year is defined from 1 January to 31 December of the year, except for underwriting year 2007 where contracts incepting prior to 1 April 2007 are included; for underwriting years 2008 to 2014, underwriting year is defined from 1 April of the year to 31 March of the following year and for underwriting year 2015, underwriting year is defined from 1 April 2015 to 31 December 2015.

(i) Analysis of claims development – gross of reinsurance

Group

Gross incurred claims

2020

	Underwriting years									
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**2020 US$'000**	**Total US$'000**
At end of first financial year	8,189,480	243,583	186,284	164,960	257,726	178,153	225,331	234,522	3,118	
One year later	3,562,939	623,202	466,600	287,784	436,175	370,889	450,488	452,549		
Two years later	3,599,059	703,674	549,793	298,392	418,522	424,431	479,332			
Three years later	3,603,609	682,991	553,144	283,336	419,088	433,424				
Four years later	3,595,750	700,483	540,966	302,183	415,704					
Five years later	3,601,993	697,186	544,916	252,819						
Six years later	3,575,152	691,543	519,633							
Seven years later	3,565,641	672,064								
Eight years later	3,654,085									
Current estimates of loss reserves	3,654,085	672,064	519,633	252,819	415,704	433,424	479,332	452,549	3,118	6,882,728
Cumulative payments	(3,567,824)	(615,162)	(475,142)	(218,971)	(366,763)	(317,317)	(347,038)	(171,995)	(904)	(6,081,116)
Best estimate of claims liabilities	86,261	56,902	44,491	33,848	48,941	116,107	132,294	280,554	2,214	801,612
Inter-group balance										(37,228)
Currency translation										(30,194)
Total current estimates of loss reserves										734,190

Group

Gross incurred claims

2019

	Underwriting years								
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**Total US$'000**
At end of first financial year	8,189,480	243,583	186,284	164,960	257,726	178,153	225,331	234,522	
One year later	3,562,939	623,202	466,600	287,784	436,175	370,889	450,488		
Two years later	3,599,059	703,674	549,793	298,392	418,522	424,431			
Three years later	3,603,609	682,991	553,144	283,336	419,088				
Four years later	3,595,750	700,483	540,966	302,183					
Five years later	3,601,993	697,186	544,916						
Six years later	3,575,152	691,543							
Seven years later	3,565,641								
Current estimates of loss reserves	3,565,641	691,543	544,916	302,183	419,088	424,431	450,488	234,522	6,632,812
Cumulative payments	(3,463,237)	(615,982)	(495,634)	(240,720)	(336,650)	(252,768)	(220,839)	(7,654)	(5,633,484)
Best estimate of claims liabilities	102,404	75,561	49,282	61,463	82,438	171,663	229,649	226,868	999,328
Inter-group balance									(46,492)
Currency translation									(32,450)
Total current estimates of loss reserves									920,386

Company

Gross incurred claims

2020

	Underwriting years									
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**2020 US$'000**	**Total US$'000**
At end of first financial year	6,598,774	184,035	125,245	106,246	238,520	158,342	211,548	226,054	3,110	
One year later	2,804,668	534,366	343,730	196,998	403,313	347,614	415,355	436,621		
Two years later	2,877,732	600,326	448,962	204,253	392,185	402,303	441,704			
Three years later	2,901,462	593,357	457,603	194,825	392,872	412,152				
Four years later	2,933,214	617,513	453,528	202,113	392,932					
Five years later	2,945,229	616,526	462,752	203,745						
Six years later	2,932,599	611,368	464,553							
Seven years later	2,933,775	612,717								
Seven years later	2,923,567									
Current estimates of loss reserves	2,923,567	612,717	464,553	203,745	392,932	412,152	441,704	436,621	3,110	5,891,101
Cumulative payments	(2,856,198)	(566,729)	(427,334)	(176,770)	(348,767)	(303,876)	(321,197)	(168,369)	(904)	(5,170,144)
Best estimate of claims liabilities	67,369	45,988	37,219	26,975	44,165	108,276	120,507	268,252	2,206	720,957
Currency translation										(10,977)
Total current estimates of loss reserves										709,980

Company

Gross incurred claims

2019

	Underwriting years								
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**Total US$'000**
At end of first financial year	6,598,774	184,035	125,245	106,246	238,520	158,342	211,548	226,054	
One year later	2,804,668	534,366	343,730	196,998	403,313	347,614	415,355		
Two years later	2,877,732	600,326	448,962	204,253	392,185	402,303			
Three years later	2,901,462	593,357	457,603	194,825	392,872				
Four years later	2,933,214	617,513	453,528	202,113					
Five years later	2,945,229	616,526	462,752						
Six years later	2,932,599	611,368							
Seven years later	2,933,775								
Current estimates of loss reserves	2,933,775	611,368	462,752	202,113	392,872	402,303	415,355	226,054	5,646,592
Cumulative payments	(2,834,983)	(553,730)	(412,825)	(167,948)	(317,700)	(239,548)	(206,693)	(12,208)	(4,745,635)
Best estimate of claims liabilities	98,792	57,638	49,927	34,165	75,172	162,755	208,662	213,846	900,957
Currency translation									(24,409)
Total current estimates of loss reserves									876,548

(ii) ***Analysis of claims development – net of reinsurance***

Group

Net incurred claims

2020

	Underwriting years									
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**2020 US$'000**	**Total US$'000**
At end of first financial year	6,063,845	110,255	99,435	70,254	123,836	148,886	191,142	204,310	1,440	
One year later	2,465,894	304,917	228,929	119,309	217,440	317,574	359,197	403,360		
Two years later	2,480,980	342,237	260,017	123,590	208,922	370,575	380,219			
Three years later	2,479,983	329,860	262,258	120,408	209,465	383,420				
Four years later	2,470,824	337,402	255,251	123,896	210,035					
Five years later	2,471,221	334,823	261,208	98,530						
Six years later	2,455,579	335,334	241,186							
Seven years later	2,454,127	335,781								
Eight years later	2,491,555									
Current estimates of loss reserves	2,491,555	335,781	241,186	98,530	210,035	383,420	380,219	403,360	1,440	4,545,526
Cumulative payments	(2,434,858)	(311,746)	(221,628)	(77,441)	(182,322)	(276,993)	(277,464)	(153,239)	(904)	(3,936,595)
Best estimate of claims liabilities	56,697	24,035	19,558	21,089	27,713	106,427	102,755	250,121	536	608,931
Currency translation										(14,007)
Total current estimates of loss reserves										594,924

Group

Net incurred claims

2019

	Underwriting years								
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**Total US$'000**
At end of first financial year	6,063,845	110,255	99,435	70,254	123,836	148,886	191,142	204,310	
One year later	2,465,894	304,917	228,929	119,309	217,440	317,574	359,197		
Two years later	2,480,980	342,237	260,017	123,590	208,922	370,575			
Three years later	2,479,983	329,860	262,258	120,408	209,465				
Four years later	2,470,824	337,402	255,251	123,896					
Five years later	2,471,221	334,823	261,208						
Six years later	2,455,579	335,334							
Seven years later	2,454,127								
Current estimates of loss reserves	2,454,127	335,334	261,208	123,896	209,465	370,575	359,197	204,310	4,318,112
Cumulative payments	(2,372,805)	(306,265)	(234,971)	(98,651)	(166,498)	(215,633)	(173,903)	(6,438)	(3,575,164)
Best estimate of claims liabilities	81,322	29,069	26,237	25,245	42,967	154,942	185,294	197,872	742,948
Currency translation									(26,167)
Total current estimates of loss reserves									716,781

Company

Net incurred claims

2020

	Underwriting years									
	2012 and prior US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**2020 US$'000**	**Total US$'000**
At end of first financial year	4,832,385	102,224	62,012	49,350	121,720	144,729	188,009	200,591	1,432	
One year later	1,888,898	288,933	171,311	91,930	211,187	313,524	354,236	396,101		
Two years later	1,937,743	325,160	228,253	92,916	204,298	366,581	374,746			
Three years later	1,956,716	320,270	232,994	91,019	204,970	379,016				
Four years later	1,973,765	327,992	228,631	94,600	205,567					
Five years later	1,974,943	325,423	233,305	96,264						
Six years later	1,965,013	326,361	234,322							
Seven years later	1,963,818	329,044								
Eight years later	1,955,372									
Current estimates of loss reserves	1,955,372	329,044	234,322	96,264	205,567	379,016	374,746	396,101	1,432	3,971,864
Cumulative payments	(1,912,441)	(306,451)	(216,181)	(75,519)	(178,620)	(274,088)	(275,009)	(151,608)	(904)	(3,390,821)
Best estimate of claims liabilities	42,931	22,593	18,141	20,745	26,947	104,928	99,737	244,493	528	581,043
Currency translation										(6,621)
Total current estimates of loss reserves										574,422

Company

Net incurred claims

2019

	Underwriting years								
	2012 and before US$'000	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**	**2017 US$'000**	**2018 US$'000**	**2019 US$'000**	**Total US$'000**
At end of first financial year	4,832,385	102,224	62,012	49,350	121,720	144,729	188,009	200,591	
One year later	1,888,898	288,933	171,311	91,930	211,187	313,524	354,236		
Two years later	1,937,743	325,160	228,253	92,916	204,298	366,581			
Three years later	1,956,716	320,270	232,994	91,019	204,970				
Four years later	1,973,765	327,992	228,631	94,600					
Five years later	1,974,943	325,423	233,305						
Six years later	1,965,013	326,361							
Seven years later	1,963,818								
Current estimates of loss reserves	1,963,818	326,361	233,305	94,600	204,970	366,581	354,236	200,591	3,744,462
Cumulative payments	(1,900,596)	(299,374)	(208,893)	(71,770)	(162,828)	(212,889)	(172,167)	(8,700)	(3,037,217)
Best estimate of claims liabilities	63,222	26,987	24,412	22,830	42,142	153,692	182,069	191,891	707,245
Currency translation									(18,641)
Total current estimates of loss reserves									688,604

6.3 Financial risk management

(a) Introduction and overview

Transactions in financial instruments may result in the Group assuming financial risks. These include:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance and investment transactions failed to meet their contractual obligations.

An insurer's financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms.

Transactions are mainly entered into with external retrocessionaires with financial strength rating of A- and above by either AM Best or Standard & Poor's ("S&P") and subsidiaries of the Group. The contingent credit exposure to any single retrocessionaire is limited and dependant on a number of factors, including rating and company size. The largest contingent credit risk for a single counterparty for a single default event is US$25.8 million (2019: US$44.9 million).

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is a fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each retrocessionaire at any time is also dependent on the claims recoverable from such retrocessionaires at that point in time. As at 31 December 2020, the top five insurance counterparties collectively accounted for about 20% (2019: 17%) of total insurance receivables. All five insurance counterparties are regulated by their respective authority in the country they operate and are financially sound, and therefore the Group does not expect any default in payments as and when payments fall due.

The Group's investment portfolio is managed in accordance to the Group's conservative and prudent investment philosophy with the primary focus on maintaining minimal risk to capital. It focuses on investing in high quality investment grade fixed income securities. As at 31 December 2020, the average credit quality of the Group's and the Company's investment portfolio was A and A respectively (2019: A and A respectively).

The Group also enters into credit default swaps for the purpose of credit risk hedging and efficient portfolio management. A credit risk swap is designed to transfer the credit exposure of fixed income products between two or more parties. At inception, there is no exchange of principal amounts and the net receivable or payable position is settled on maturity.

The Group reviews its issuer concentration and credit quality as well as compliance with established credit limits on a regular basis. The Group is not exposed to any significant credit concentration risk on its investments. As at 31 December 2020, the Group's largest counterparty issuer exposure is 1% (2019: 1.2%) of the Group's total investments.

See note 10 for a summary of the type of investments, held by the Group and the respective credit ratings.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial and insurance liabilities that are settled by delivery of cash or another financial asset. The Group has to meet its liabilities as and when they fall due, notably from claims arising from its general reinsurance contracts. There is hence a risk that the cash and cash equivalents held will not be sufficient to meet its liabilities when they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities arising from insurance claims and maturing liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's approach to managing its liquidity risk is as follows:

- Cashflow position is being reviewed, on an ongoing basis, by monitoring its overall liquidity position and funding requirements over the short, medium and long term;
- The assets purchased for the Group's liability fund have to satisfy specified marketability requirements in terms of rating, duration and concentration limits as required by the Group's investment guideline and asset and liability management ("ALM") requirements;
- The Group maintains sufficient cash and liquid assets to meet daily calls on its insurance and investment needs; and
- The Group regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

Given the high level of credit quality and short duration investment portfolio, the Group is able to quickly liquidate its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Group invests in AAA rated liquidity funds which provide liquidity for working capital requirements and payment of liabilities when the need arises.

The expected contractual undiscounted cash outflows of financial liabilities as at 31 December 2020 and 2019 are as follows:

		Cash flows	
	Contractual cash flows US$'000	**Within 1 year US$'000**	**1 to 5 years US$'000**
Group			
2020			
Insurance payables	55,506	55,506	–
Other payables	15,852	15,852	–
	71,358	71,358	–
2019			
Insurance payables	39,465	39,465	–
Other payables	32,068	32,068	–
	71,533	71,533	–
Company			
2020			
Insurance payables	50,442	50,442	–
Other payables	14,028	14,028	–
	64,470	64,470	–
2019			
Insurance payables	35,816	35,816	–
Other payables	30,426	30,426	–
	66,242	66,242	–

(d) Market risk

Market risk is the risk that changes in market prices that will affect the Group's income or the value of its holding of financial instruments. Market risk for the Group comprises three types of risks:

- Currency risk
- Interest rate risk
- Price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Group's exposures to market risks and its objectives, policies and processes for managing market risk have not changed significantly from the previous financial year.

For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Group at the reporting date to each major risk is addressed below.

(i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's currency risk is largely mitigated by its ALM framework. Under this framework, the Group established an internally managed investment portfolio as well as external managed funds, with the objective of investing into Asian local currency denominated fixed income securities to match its liabilities denominated in the various Asian currencies. The Group is required to maintain assets in the currency in which the cash flows from its liabilities are to be settled in order to economically hedge the currency risk inherent in these expected cash flows. Notwithstanding this, the ALM framework is subject to time lag, estimates and judgements which may affect the desired outcome.

The Group enters into currency forward contracts for the purpose of foreign exchange risk hedging and efficient portfolio management. A currency forward contract is an agreement between two parties to buy or sell a currency at a specified price, at a specified quantity and on a specified future date. At inception, there is no exchange of principal amounts and the net receivable or payable position is settled on maturity. Currency forwards are used for foreign exchange risk hedging and efficient portfolio management.

The Group's investment in its Malaysian subsidiaries is hedged by a series of short currency forward contracts on MYR. As at 31 December 2020, US$ 84.4 million (2019: US$103.5 million) of currency forward contracts are designated as hedges of the Group's net investment in its Malaysian subsidiaries. The hedged risk is the risk of changes in the MYR/USD spot rate that will result in changes in the value of Group's net investment in ACRM and ACRR when translated into USD.

The Group may overweight certain assets denominated in a currency other than the functional currency of the Group beyond current ALM requirements as part of strategic asset allocation approved by the Board to prepare for underwriting business expansion in certain countries and/or enhance investment return. These investments are monitored and may be reduced when the currency outlook/valuation of that investment becomes stretched.

The nature of the Group's exposures to currency risk and its objectives, policies and processes for managing currency risk have not changed significantly from the previous financial year.

The following table sets out the Group's and Company's main exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group. The overall net exposure is before taking into consideration the Group's currency forward contracts position.

	Group				
	Chinese Yuan US$'000	**Malaysian Ringgit US$'000**	**Singapore Dollar US$'000**	**South Korean Won US$'000**	**Japanese Yen US$'000**
2020					
Assets					
Investments	31,428	38,875	6,571	–	63,402
Insurance receivables	5,751	7,071	56	–	17,665
Other receivables	25	306	2,382	727	–
Cash and cash equivalents	830	46,075	13,714	34,890	459
	38,034	92,327	22,723	35,617	81,526
Liabilities					
Financial liabilities	(56)	(1,453)	–	(1,451)	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(75,091)	(30,185)	(16,138)	(19,570)	(82,185)
Insurance payables	(991)	(2,562)	(609)	(11,244)	(278)
Other payables and accruals	–	(1,225)	(5,442)	–	(230)
	(76,138)	(35,425)	(22,189)	(32,265)	(82,693)
Overall net exposure	(38,104)	56,902	534	3,352	(1,167)
2019					
Assets					
Investments	72,814	122,043	14,948	–	118,892
Insurance receivables	89,557	13,862	2,039	7,959	51,457
Other receivables	67	106	3,005	87	7
Cash and cash equivalents	6,499	7,119	1,725	30,424	1,642
	168,937	143,130	21,717	38,470	171,998
Liabilities					
Financial liabilities	–	–	–	(2,167)	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(97,105)	(12,396)	(9,103)	(12,013)	(167,597)
Insurance payables	(13,606)	(6,540)	(10,092)	(16,561)	(6,181)
Other payables and accruals	–	(2,105)	(17,790)	(2,149)	(32)
	(110,711)	(21,041)	(36,985)	(32,890)	(173,810)
Overall net exposure	58,226	122,089	(15,268)	5,580	(1,812)

	Company				
	Chinese Yuan US$'000	**Malaysian Ringgit US$'000**	**Singapore Dollar US$'000**	**South Korean Won US$'000**	**Japanese Yen US$'000**
2020					
Assets					
Investments	31,428	–	6,571	–	63,402
Insurance receivables	5,751	3,121	–	–	17,665
Other receivables	25	–	2,382	727	–
Cash and cash equivalents	830	21	13,714	34,890	459
	38,034	3,142	22,667	35,617	81,526
Liabilities					
Financial liabilities	(56)	(1,453)	–	(1,451)	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(75,091)	(14,057)	(16,063)	(19,568)	(82,185)
Insurance payables	(991)	(127)	(609)	(11,244)	(278)
Other payables and accruals	–	(224)	(5,442)	–	(230)
	(76,138)	(15,861)	(22,114)	(32,263)	(82,693)
Overall net exposure	(38,104)	(12,719)	553	3,354	(1,167)
2019					
Assets					
Investments	72,814	–	14,948	–	118,892
Insurance receivables	89,456	8,616	1,795	7,957	51,457
Other receivables	67	6	3,005	87	7
Cash and cash equivalents	6,499	547	1,725	30,424	1,642
	168,836	9,169	21,473	38,468	171,998
Liabilities					
Financial liabilities	–	–	–	(2,167)	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(108,627)	(16,620)	(9,154)	(26,423)	(168,333)
Insurance payables	(13,606)	(6,540)	(10,092)	(16,561)	(6,181)
Other payables and accruals	–	–	(17,790)	(2,149)	(32)
	(122,233)	(23,160)	(37,036)	(47,300)	(174,546)
Overall net exposure	46,603	(13,991)	(15,563)	(8,832)	(2,548)

Sensitivity analysis

A 10% strengthening of United States dollar against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit/(loss)	
	Group	**Company**
	US$'000	**US$'000**
2020		
Chinese Yuan	3,810	3,810
Malaysian Ringgit	(5,690)	1,272
Singapore Dollar	(53)	(55)
South Korean Won	(335)	(335)
Japanese Yen	117	117
2019		
Chinese Yuan	(5,823)	(4,660)
Malaysian Ringgit	(12,209)	1,399
Singapore Dollar	1,527	1,556
South Korean Won	(558)	883
Japanese Yen	181	255

A 10% weakening of United States dollar against the above currencies would have had the equal but opposite effect on the above currencies on the basis that all other variables remain constant.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates have on interest income from cash and cash equivalents and other fixed income investments.

The earnings of the Group are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents, including investments in fixed deposits.

The Group manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

The Group also enters into interest rate futures contracts and interest rate swaps for the purpose of interest rate risk hedging and efficient portfolio management. An interest rate futures contract is a contract between the buyer and seller agreeing to the future delivery of any interest-earning asset. An interest rate swap is a contract between two parties agreeing to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another. At inception, there is no exchange of principal amounts and the net receivable or payable position is settled on maturity.

The Group's and Company's investment portfolio has an average duration of 2.27 and 2.01 years respectively (2019: 2.44 and 1.90 years respectively), significantly reducing any long term interest rate volatility within the portfolio.

The nature of the Group's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the previous financial year.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	Within 1 year US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Group				
2020				
Fixed rate				
Fixed deposits	69,979	–	–	69,979
Debt securities	89,542	257,863	26,498	373,903
Bond funds	88,071	153,965	91,922	333,958
	247,592	411,828	118,420	777,840
Floating rate				
Cash at bank	98,872	–	–	98,872
Debt securities	–	4,940	–	4,940
Bond funds	–	5,408	24,402	29,810
Liquidity funds	8,362	–	–	8,362
Loan to holding company	20,000	–	–	20,000
	127,234	10,348	24,402	161,984
	374,826	422,176	142,822	939,824
2019				
Fixed rate				
Fixed deposits	33,048	–	–	33,048
Debt securities	82,062	277,756	99,772	459,590
Bond funds	265,153	44,437	15,400	324,990
	380,263	322,193	115,172	817,628
Floating rate				
Cash at bank	232,397	–	–	232,397
Liquidity funds	6,964	–	–	6,964
Loan to related company	–	–	17,000	17,000
	239,361	–	17,000	256,361
	619,624	322,193	132,172	1,073,989

	Within 1 year US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Company				
2020				
Fixed rate				
Fixed deposits	52,516	–	–	52,516
Debt securities	85,691	232,945	15,625	334,261
Bond funds	88,071	153,965	84,090	326,126
	226,278	386,910	99,715	712,903
Floating rate				
Cash at bank	50,176	–	–	50,176
Debt securities	–	4,940	–	4,940
Bond funds	–	5,408	24,402	29,810
Liquidity funds	8,362	–	–	8,362
Loan to holding company	20,000	–	–	20,000
	78,538	10,348	24,402	113,288
	304,816	397,258	124,117	826,191
2019				
Fixed rate				
Fixed deposits	20,396	–	–	20,396
Debt securities	78,439	207,987	62,131	348,557
Bond funds	265,153	44,437	–	309,590
	363,988	252,424	62,131	678,543
Floating rate				
Cash at bank	119,089	–	–	119,089
Loan to related company	–	–	17,000	17,000
	119,089	–	17,000	136,089
	483,077	252,424	79,131	814,632

Sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into consideration the Group's interest rate futures contracts and interest rate swaps positions.

	Profit or loss		Equity	
	100 bp increase US$'000	**100 bp decrease US$'000**	**100 bp increase US$'000**	**100 bp decrease US$'000**
Group				
2020				
Debt securities	–	–	(8,772)	8,772
Bond funds	(2,047)	2,047	(5,772)	5,772
	(2,047)	2,047	(14,544)	14,544
2019				
Debt securities	–	–	(14,813)	14,813
Bond funds	(2,345)	2,345	(799)	799
	(2,345)	2,345	(15,612)	15,612
Company				
2020				
Debt securities	–	–	(7,363)	7,363
Bond funds	(2,047)	2,047	(5,247)	5,247
	(2,047)	2,047	(12,610)	12,610
2019				
Debt securities	–	–	(11,685)	11,685
Bond funds	(2,345)	5,045	–	–
	(2,345)	5,045	(11,685)	11,685

(iii) *Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Group invests primarily in debt securities whereby fair values or future cash flows of the financial instruments mainly arise from changes in interest rate and the issuers' repayment abilities. The Group has very small allocation to equity funds and real estates, thus the price risk faced by the Group is relatively less volatile in the context of total investible assets. The Group may consider reducing weightings in risk assets when the economy and asset outlook appears less optimistic.

6.4 Capital management

The Group's capital management approach is founded on the objectives of maintaining adequate capital to meet regulatory and rating agencies' requirements and maintaining a capital structure and business mix that optimise stakeholder value. Significant buffers are also maintained against unexpected and catastrophic losses that could threaten solvency.

The Group's objectives when managing capital are:

- To comply with insurance capital requirements stipulated by the regulators of the respective insurance markets where the Company and its subsidiaries operates as required. In this respect, the Group manages its capital at an amount in excess of the minimum regulatory capital;

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders;

- To provide an adequate return to its shareholder by pricing reinsurance contracts commensurately with the level of risk;

- To align the profile of the assets and liabilities taking into account of risks inherent in the business; and

- To maintain healthy capital ratios in order to support its business objectives and maximise shareholder's value.

Primary capital

The primary source of capital used by the Group is shareholders' equity. The Group also considers alternative sources of capital including retrocession, as appropriate when assessing its deployment and usage of capital.

The objective of the capital management policy is sustained and ensured through updates of forecasts as part of an annual strategic and financial planning process.

Regulatory capital

The Company's insurance regulator, the Monetary Authority of Singapore ("MAS"), specifies the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the MAS's Risk Based Capital framework ("RBC2"). RBC2 is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. The Company has complied with the minimum required capital requirement during the year.

The Company has subsidiaries in Dubai and Malaysia that are regulated by those countries respective insurance regulators. Those subsidiaries comply with the capital requirements and targets as determined by the local regulatory capital frameworks applicable in those jurisdictions, in addition to those overlaid by the parent company's internal requirements.

The Malaysian insurance subsidiary, Asia Capital Reinsurance Malaysia Sdn. Bhd. is regulated by its local regulator Bank Negara Malaysia ("BNM"). ACR ReTakaful Holdings Limited is regulated by Dubai International Financial Centre.

6.5 Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Designated at fair value US$'000	Fair value – hedging instruments US$'000	Loans and receivables US$'000	Available-for-sale US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Fair value US$'000
Group								
2020								
Cash and cash equivalents	20	–	–	168,854	–	–	168,854	168,854
Other receivables*	19	–	–	9,145	–	–	9,145	9,145
Amount due from related company	18	–	–	–	–	–	–	–
Amount due from holding company	16	–	–	20,024	–	–	20,024	20,024
Available-for-sale financial assets	10	–	–	–	624,939	–	624,939	624,939
Financial assets designated at fair value through profit or loss	10	392,576	–	–	–	–	392,576	392,576
Currency forward exchange contracts used for hedging	10	–	1,280	–	–	–	1,280	1,280
		392,576	1,280	198,023	624,939	–	1,216,818	1,216,818
Currency forward exchange contracts used for hedging	10	–	(9,578)	–	–	–	(9,578)	(9,578)
Other payables and accruals	23	–	–	–	–	(15,852)	(15,852)	(15,852)
		–	(9,578)	–	–	(15,852)	(25,430)	(25,430)

* *The amount excludes prepayments.*

	Note	Designated at fair value US$'000	Fair value – hedging instruments US$'000	Loans and receivables US$'000	Available-for-sale US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Fair value US$'000
Group								
2019								
Cash and cash equivalents	20	–	–	265,448	–	–	265,448	265,448
Other receivables*	19	–	–	2,232	–	–	2,232	2,232
Amount due from related company	18	–	–	19,270	–	–	19,270	19,270
Amount due from holding company	16	–	–	1,797	–	–	1,797	1,797
Available-for-sale financial assets	10	–	–	–	708,362	–	708,362	708,362
Financial assets designated at fair value through profit or loss	10	372,837	–	–	–	–	372,837	372,837
Currency forward exchange contracts used for hedging	10	–	4,576	–	–	–	4,576	4,576
		372,837	4,576	288,747	708,362	–	1,374,522	1,374,522
Currency forward exchange contracts used for hedging	10	–	(2,979)	–	–	–	(2,979)	(2,979)
Other payables and accruals	24	–	–	–	–	(32,068)	(32,068)	(32,068)
		–	(2,979)	–	–	(32,068)	(35,047)	(35,047)

* *The amount excludes prepayments.*

	Note	Designated at fair value US$'000	Fair value – hedging instruments US$'000	Loans and receivables US$'000	Available-for-sale US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Fair value US$'000
Company								
2020								
Cash and cash equivalents	20	–	–	102,695	–	–	102,695	102,695
Other receivables*	19	–	–	9,138	–	–	9,138	9,138
Amount due from holding company	16	–	–	20,024	–	–	20,024	20,024
Available-for-sale debt securities	10	–	–	–	577,465	–	577,465	577,465
Financial assets designated at fair value through profit or loss	10	392,576	–	–	–	–	392,576	392,576
Currency forward exchange contracts used for hedging	10	–	1,280	–	–	–	1,280	1,280
		392,576	1,280	131,857	577,465	–	1,103,178	1,103,178
Currency forward exchange contracts used for hedging	10	–	(9,578)	–	–	–	(9,578)	(9,578)
Other payables and accruals	23	–	–	–	–	(14,028)	(14,028)	(14,028)
		–	(9,578)	–	–	(14,028)	(23,606)	(23,606)

* *The amount excludes prepayments.*

	Note	Designated at fair value US$'000	Fair value – hedging instruments US$'000	Loans and receivables US$'000	Available-for-sale US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Fair value US$'000
Company								
2019								
Cash and cash equivalents	20	–	–	139,488	–	–	139,488	139,488
Other receivables*	19	–	–	2,199	–	–	2,199	2,199
Amount due from subsidiaries	17	–	–	1,415	–	–	1,415	1,415
Amount due from related company	18	–	–	19,270	–	–	19,270	19,270
Amount due from holding company	16	–	–	1,110	–	–	1,110	1,110
Available-for-sale debt securities	10	–	–	–	574,965	–	574,965	574,965
Financial assets designated at fair value through profit or loss	10	372,837	–	–	–	–	372,837	372,837
Currency forward exchange contracts used for hedging	10	–	4,576	–	–	–	4,576	4,576
		372,837	4,576	163,482	574,965	–	1,115,860	1,115,860
Currency forward exchange contracts used for hedging	10	–	(2,979)	–	–	–	(2,979)	(2,979)
Other payables and accruals	24	–	–	–	–	(30,426)	(30,426)	(30,426)
		–	(2,979)	–	–	(30,426)	(33,405)	(33,405)

* *The amount excludes prepayments.*

Fair value hierarchy

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
Financial assets and financial liabilities carried at fair value				
2020				
Fair value through profit or loss				
Bond funds	117,672	–	–	117,672
Liquidity funds	8,362	–	–	8,362
Property funds	–	–	212,713	212,713
Private market funds	–	–	53,829	53,829
	126,034	–	266,542	392,576
Available-for-sale				
Debt securities	339,201	39,642	–	378,843
Bond funds	238,264	7,832	–	246,096
Liquidity funds	–	–	–	–
	577,465	47,474	–	624,939
Derivatives designated as hedging instruments				
Currency forward contracts	–	(8,298)	–	(8,298)
	–	(8,298)	–	(8,298)
	703,499	39,176	266,542	1,009,217
2019				
Fair value through profit or loss				
Bond funds	83,182	–	–	83,182
Liquidity funds	63,665	–	–	63,665
Property funds	–	–	199,550	199,550
Private market funds	–	–	26,440	26,440
	146,847	–	225,990	372,837
Available-for-sale				
Debt securities	348,557	111,033	–	459,590
Bond funds	226,408	15,400	–	241,808
Liquidity funds	–	6,964	–	6,964
	574,965	133,397	–	708,362
Derivatives designated as hedging instruments				
Currency forward contracts	–	1,597	–	1,597
	–	1,597	–	1,597
	721,812	134,994	225,990	1,082,796

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Company				
Financial assets and financial liabilities carried at fair value				
2020				
Fair value through profit or loss				
Bond funds	117,672	–	–	117,672
Liquidity funds	8,362	–	–	8,362
Property funds	–	–	212,713	212,713
Private market funds	–	–	53,829	53,829
	126,034	–	266,542	392,576
Available-for-sale				
Debt securities	339,201	–	–	339,201
Bond funds	238,264	–	–	238,264
	577,465	–	–	577,465
Derivatives designated as hedging instruments				
Currency forward contracts	–	(8,298)	–	(8,298)
	–	(8,298)	–	(8,298)
	703,499	(8,298)	266,542	961,743
2019				
Fair value through profit or loss				
Bond funds	83,182	–	–	83,182
Liquidity funds	63,665	–	–	63,665
Property funds	–	–	199,550	199,550
Private market funds	–	–	26,440	26,440
	146,847	–	225,990	372,837
Available-for-sale				
Debt securities	348,557	–	–	348,557
Bond funds	226,408	–	–	226,408
	574,965	–	–	574,965
Derivatives designated as hedging instruments				
Currency forward contracts	–	1,597	–	1,597
	–	1,597	–	1,597
	721,812	1,597	225,990	949,399

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values of Level 3 financial instruments, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Property funds	The fair values of property funds are derived based on the net asset values obtained from the fund managers at the reporting date. The valuations obtained from the managers are based on various analyses on the underlying holdings in each fund, including financial valuation models and projections, comparable valuations from the public markets and precedent private market transactions	• Discount rate • Illiquidity factor • Occupancy rate	The estimated fair value would increase (decrease) if the net asset values were higher (lower).
Private market funds	Market comparison/ discounted cash flow: The fair value is estimated considering: (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.	• Discount rate	The estimated fair value would increase (decrease) if the discount rate decrease (increase).

6.6 Measurement of fair values

The fair value of financial assets traded in active markets is based on quoted market prices at the reporting date. The quoted market is determined by reference to their quoted bid prices or last traded price. These investments are included in Level 1.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value. The fair values of forward exchange contracts, credit default and interest rate swaps, interest rate futures contracts and certain debt securities and equity fund are estimated based on quotes obtained from Reuters/Bloomberg and prices quoted by the broker at the reporting date. These investments are included in Level 2 and comprise debt securities, equity fund and derivative financial instruments.

The fair values of property funds are derived based on the net asset values obtained from the fund managers at the reporting date. The valuations obtained from the managers are based on various analyses on the underlying holdings in each fund, including financial valuation models and projections, comparable valuations from the public markets and precedent private market transactions. Investments are valued based on the fund's beneficial interest in the underlying net assets of the fund as determined by the partnership agreement. As the valuation technique for these investments is based on significant unobservable inputs, such investments are included in Level 3.

The Level 3 relates to property funds where observable market data is not available. Although the Group believes that the fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Fair value of property funds will increase if comparable valuations from the public markets and precedent private market transactions are favourable.

During the financial year, there is no transfer of investments between Level 1, 2 and 3.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 financial instruments:

Group and Company	**Fair value through profit or loss US$'000**
At 1 January 2019	178,923
Purchases	34,563
Total gains and losses recognised in profit or loss:	
- Change in fair value of investments	12,504
At 31 December 2019	225,990
At 1 January 2020	225,990
Purchases	10,347
Total gains and losses recognised in profit or loss:	
- Change in fair value of investments	30,205
At 31 December 2020	266,542

7 Property and equipment

Group	**Buildings US$'000**	**Computer equipment US$'000**	**Motor vehicle US$'000**	**Office equipment US$'000**	**Furniture and fittings US$'000**	**Work-in-progress US$'000**	**Total US$'000**
Cost							
At 1 January 2019	2,214	1,701	104	259	915	292	5,485
Recognition of right-of-use assets on initial application of FRS 116	735	–	21	61	–	–	817
Adjusted balance at 1 January 2019	2,949	1,701	125	320	915	292	6,302
Additions	3,872	979	–	14	308	7,771	12,944
Disposals	–	(45)	–	(64)	(128)	–	(237)
Write off	–	–	–	–	–	(7,779)	(7,779)
Foreign exchange translation	23	3	–	1	1	–	28
At 31 December 2019	6,844	2,638	125	271	1,096	284	11,258
At 1 January 2020	6,844	2,638	125	271	1,096	284	11,258
Additions	–	373	–	–	170	36	579
Disposals	(96)	(763)	(21)	(12)	(249)	(284)	(1,425)
Foreign exchange translation	(186)	5	–	2	5	–	(174)
At 31 December 2020	6,562	2,253	104	261	1,022	36	10,238

	Buildings US$'000	Computer equipment US$'000	Motor vehicle US$'000	Office equipment US$'000	Furniture and fittings US$'000	Work-in-progress US$'000	Total US$'000
Group							
Accumulated depreciation							
At 1 January 2019	115	1,448	88	252	867	–	2,770
Revaluation of property	(130)	–	–	–	–	–	(130)
Disposals	–	(43)	–	(64)	(128)	–	(235)
Depreciation charge for the year	516	453	22	23	73	–	1,087
Foreign exchange translation	–	1	–	(2)	(4)	–	(5)
At 31 December 2019	501	1,859	110	209	808	–	3,487
At 1 January 2020	501	1,859	110	209	808	–	3,487
Revaluation of property	132	–	–	–	–	–	132
Disposals	–	(774)	(11)	(20)	(249)	–	(1,054)
Depreciation charge for the year	2,124	582	5	24	115	–	2,850
Foreign exchange translation	(219)	6	–	8	1	–	(204)
At 31 December 2020	2,538	1,673	104	221	675	–	5,211
Carrying amounts							
At 1 January 2019	2,099	253	16	7	48	292	2,715
At 31 December 2019	6,343	779	15	62	288	284	7,771
At 31 December 2020	4,024	580	–	40	347	36	5,027
Company							
Cost							
At 1 January 2019	–	1,071	33	139	526	292	2,061
Recognition of right-of-use assets on initial application of FRS 116	735	–	21	37	–	–	793
Adjusted balance at 1 January 2019	735	1,071	54	176	526	292	2,854
Additions	3,872	979	–	14	308	7,771	12,944
Disposals	–	(45)	–	(64)	(128)	–	(237)
Write off	–	–	–	–	–	(7,779)	(7,779)
At 31 December 2019	4,607	2,005	54	126	706	284	7,782
At 1 January 2020	4,607	2,005	54	126	706	284	7,782
Additions	–	373	–	–	170	36	579
Disposals	(96)	(763)	(21)	(12)	(249)	(284)	(1,425)
At 31 December 2020	4,511	1,615	33	114	627	36	6,936
Accumulated depreciation							
At 1 January 2019	–	835	17	132	475	–	1,459
Depreciation charge for the year	464	446	22	16	67	–	1,015
Disposals	–	(43)	–	(64)	(128)	–	(235)
At 31 December 2019	464	1,238	39	84	414	–	2,239
At 1 January 2020	464	1,238	39	84	414	–	2,239
Depreciation charge for the year	2,000	642	5	24	115	–	2,786
Disposals	–	(774)	(11)	(20)	(249)	–	(1,054)
At 31 December 2020	2,464	1,106	33	88	280	–	3,971
Carrying amounts							
At 1 January 2019	–	236	16	7	51	292	602
At 31 December 2019	4,143	767	15	42	292	284	5,543
At 31 December 2020	2,047	509	–	26	347	36	2,965

Property and equipment includes right-of-use assets of US$2.1 million (2019: US$4.2 million) related to buildings, motor vehicles and office equipment of the Group and the Company under leases as at 31 December 2020. See Note 29.

Fair value information

Included in property and equipment is a building that is measured at fair value. Fair value of the building is categorised as follows:

Group	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2020				
Building	–	2,052	–	2,052
2019				
Building	–	2,202	–	2,202

Valuation technique

The building was revalued as at 31 December 2020 by VPC Alliance (KL) Sdn. Bhd. (2019: revalued by VPC Alliance (KL) Sdn. Bhd.), a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeable, prudently and without compulsion. The valuation has considered the impact of Covid-19, which resulted in the reduction of fair value as of 31 December 2020. Information relating to transaction volume and other relevant market evidences was obtained and verified in the valuations. There is no material uncertainty disclosed in the valuation reports.

8 Intangible assets

Group and Company	Club membership US$'000
Cost and carrying amount	
At 1 January 2019/31 December 2019/1 January 2020 and 31 December 2020	68

9 Investment in subsidiaries

	Company 2020 US$'000	Company 2019 US$'000
Equity shares at cost	101,155	161,555

Details of the investments in subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Class of shares	Ownership interest 2020 %	Ownership interest 2019 %
Asia Capital Reinsurance Malaysia Sdn. Bhd.	Malaysia	General reinsurance	Ordinary	100	100
ACR ReTakaful Holdings Limited	United Arab Emirates	Investment holding	Ordinary	100	100
Propco (Telford) Limited*	Guernsey	Investment holding	Ordinary	100	–
Wholly-owned subsidiaries of ACR ReTakaful Holdings Limited:					
- ACR ReTakaful MEA B.S.C.(c)**	Kingdom of Bahrain	Retakaful activities	Ordinary	–	100
- ACRR Sendirian Berhad (formerly known as: ACR ReTakaful Berhad)	Malaysia	Retakaful activities	Ordinary	100	100

*Propco (Telford) Limited was acquired with effect from 15 April 2020. The entity's principal activity is that of an investment holding company that invests in investment properties. Audited by Shipleys LLP.

**ACR ReTakaful MEA B.S.C.(c), was liquidated with effect from 16 July 2020. The closure of this subsidiary does not have any material effect on the earnings and net assets of the Group and the Company for the financial year ended 31 December 2020.

10 Investments

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Fair value through profit or loss				
- Bond funds	117,672	83,182	117,672	83,182
- Liquidity funds	8,362	63,665	8,362	63,665
- Property funds	212,713	199,550	212,713	199,550
- Private market funds	53,829	26,440	53,829	26,440
	392,576	372,837	392,576	372,837
Available-for-sale				
- Debt securities	378,843	459,590	339,201	348,557
- Bond funds	246,096	241,808	238,264	226,408
- Liquidity funds	–	6,964	–	–
	624,939	708,362	577,465	574,965

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Derivatives designated as hedging instruments				
- Currency forward contracts	1,280	4,576	1,280	4,576
	1,280	4,576	1,280	4,576
	1,018,795	1,085,775	971,321	952,378
Financial liabilities				
Derivatives designated as hedging instruments				
- Currency forward contracts	(9,578)	(2,979)	(9,578)	(2,979)
	(9,578)	(2,979)	(9,578)	(2,979)

Investments are allocated as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current	831,583	437,365	787,915	314,555
Current	177,634	645,431	173,828	634,844
	1,009,217	1,082,796	961,743	949,399

The following tables show a summary of the type of investments held by the Company as at 31 December 2020 and 2019 and the respective credit ratings, which are based on S&P's credit rating or its equivalent.

	AAA rated US$'000	AA rated US$'000	A rated US$'000	BBB rated US$'000	BB rated US$'000	B rated US$'000	Below B rated US$'000	Not rated US$'000	Total US$'000
Group									
2020									
Fair value through profit or loss									
Bond funds#	2,155	789	2,384	55,734	3,603	34,205	18,802	–	117,672
Liquidity funds*	8,362	–	–	–	–	–	–	–	8,362
Property funds ^	–	–	–	–	–	–	–	212,713	212,713
Private market funds@	–	–	–	–	–	–	–	53,829	53,829
	10,517	789	2,384	55,734	3,603	34,205	18,802	266,542	392,576
Available-for-sale									
Debt securities									
Corporate bonds	8,090	21,774	117,047	176,758	12,909	–	–	–	336,578
Government & quasi-government bonds	–	18,083	13,082	11,100	–	–	–	–	42,265
	8,090	39,857	130,129	187,858	12,909	–	–	–	378,843
Bond funds#	104,149	10,268	26,538	48,932	24,515	10,586	21,108	–	246,096
	112,239	50,125	156,667	236,790	37,424	10,586	21,108	–	624,939
Derivatives designated as hedging instruments									
Currency forward contracts	–	–	(8,298)	–	–	–	–	–	(8,298)
	–	–	(8,298)	–	–	–	–	–	(8,298)
	122,756	50,914	150,753	292,524	41,027	44,791	39,910	266,542	1,009,217

	AAA rated US$'000	AA rated US$'000	A rated US$'000	BBB rated US$'000	BB rated US$'000	B rated US$'000	Below B rated US$'000	Not rated US$'000	Total US$'000
Group									
2019									
Fair value through profit or loss									
Bond funds#	2,306	29	1,749	51,240	2,867	6,158	18,833	–	83,182
Liquidity funds*	63,665	–	–	–	–	–	–	–	63,665
Property funds ^	–	–	–	–	–	–	–	199,550	199,550
Private market funds@	–	–	–	–	–	–	–	26,440	26,440
	65,971	29	1,749	51,240	2,867	6,158	18,833	225,990	372,837
Available-for-sale									
Debt securities									
Corporate bonds	7,741	12,036	171,409	196,357	27,672	–	–	–	415,215
Government & quasi-government bonds	7,427	22,587	3,556	10,805	–	–	–	–	44,375
	15,168	34,623	174,965	207,162	27,672	–	–	–	459,590
Bond funds#	116,799	8,295	20,590	43,488	16,494	15,246	20,896	–	241,808
Liquidity funds	–	–	–	–	–	–	–	6,964	6,964
	131,967	42,918	195,555	250,650	44,166	15,246	20,896	6,964	708,362
Currency forward contracts	–	692	905	–	–	–	–	–	1,597
	–	692	905	–	–	–	–	–	1,597
	197,938	43,639	198,209	301,890	47,033	21,404	39,729	232,954	1,082,796

	AAA rated US$'000	AA rated US$'000	A rated US$'000	BBB rated US$'000	BB rated US$'000	B rated US$'000	Below B rated US$'000	Not rated US$'000	Total US$'000
Company									
2020									
Fair value through profit or loss									
Bond funds#	2,155	789	2,384	55,734	3,603	34,205	18,802	–	117,672
Liquidity funds*	8,362	–	–	–	–	–	–	–	8,362
Property funds ^	–	–	–	–	–	–	–	212,713	212,713
Private market funds@	–	–	–	–	–	–	–	53,829	53,829
	10,517	789	2,384	55,734	3,603	34,205	18,802	266,542	392,576
Available-for-sale									
Debt securities									
Corporate bonds	8,090	21,774	98,568	155,973	12,530	–	–	–	296,935
Government & quasi-government bonds	–	18,083	13,082	11,101	–	–	–	–	42,266
	8,090	39,857	111,650	167,074	12,530	–	–	–	339,201
Bond funds#	104,149	10,268	18,706	48,932	24,515	10,586	21,108	–	238,264
	112,239	50,125	130,356	216,006	37,045	10,586	21,108	–	577,465
Derivatives designated as hedging instruments									
Currency forward contracts	–	–	(8,298)	–	–	–	–	–	(8,298)
	–	–	(8,298)	–	–	–	–	–	(8,298)
	122,756	50,914	124,442	271,740	40,648	44,791	39,910	266,542	961,743

	AAA rated US$'000	AA rated US$'000	A rated US$'000	BBB rated US$'000	BB rated US$'000	B rated US$'000	Below B rated US$'000	Not rated US$'000	Total US$'000
Company									
2019									
Fair value through profit or loss									
Bond funds[#]	2,306	29	1,749	51,240	2,867	6,158	18,833	–	83,182
Liquidity funds*	63,665	–	–	–	–	–	–	–	63,665
Property funds ^	–	–	–	–	–	–	–	199,550	199,550
Private market funds[@]	–	–	–	–	–	–	–	26,440	26,440
	65,971	29	1,749	51,240	2,867	6,158	18,833	225,990	372,837
Available-for-sale									
Debt securities									
Corporate bonds	7,741	12,036	109,162	148,578	26,665	–	–	–	304,182
Government & quasi-government bonds	7,427	22,587	3,556	10,805	–	–	–	–	44,375
	15,168	34,623	112,718	159,383	26,665	–	–	–	348,557
Bond funds[#]	116,799	8,295	20,590	28,088	16,494	15,246	20,896	–	226,408
	131,967	42,918	133,308	187,471	43,159	15,246	20,896	–	574,965
Derivatives designated as hedging instruments									
Currency forward contracts	–	692	905	–	–	–	–	–	1,597
	–	692	905	–	–	–	–	–	1,597
	197,938	43,639	135,962	238,711	46,026	21,404	39,729	225,990	949,399

* The Group and the Company invest in liquidity funds ("funds") mainly for its working capital requirements. These funds aim to achieve a current investment income while maintaining liquidity and stability of the principal. These funds invest primarily in a portfolio of high quality, short duration fixed income securities such as commercial papers, certificates of deposits, time deposits, government bonds, government agency debts and corporate bonds.

The Group and the Company invest in bond funds with the aim of achieving investment return while maintaining strong liquidity and preservation of capital. The funds invest primarily in government and corporate bonds.

^ The Group and the Company invest in property funds with the aim of diversifying the investment portfolio as well as enhancing long term investment returns. These funds utilise disciplined value-added and active asset management approach, invest in pan-European private and North American properties with the objective of achieving investment gains through enhancing the value proposition of their property assets.

@ The Group and the Company invest in a global private market fund to further enhance returns through a diversified private markets portfolio consisting of private equity, private debt, infrastructure and real estate investments.

Derivative financial instruments

The Group and Company enter into currency forward contracts, credit default and interest rate swaps and interest rate futures contracts for the purpose of foreign exchange risk hedging, credit risk hedging and interest rate hedging respectively and efficient portfolio management.

The notional amount and net fair value of the derivative financial instruments as at 31 December 2020 and 2019 are as set out below.

Group and Company

	Notional amount 2020 US$'000	Fair value 2020 US$'000	Notional amount 2019 US$'000	Fair value 2019 US$'000
Currency forward contracts	335,026	(8,298)	434,449	1,597

11 Investment properties

	Group 2020 US$'000	Group 2019 US$'000
At 1 January	7,887	8,330
Transfer to assets held for sale	–	(709)
Purchase	17,645	–
Change in fair value	(504)	173
Foreign currency translation	117	93
At 31 December	25,145	7,887

Investment properties comprise a number of commercial properties that are leased to third parties. The valuation has considered the impact of Covid-19, which resulted in the reduction of fair value as of 31 December 2020. Information relating to transaction volume and other relevant market evidences was obtained and verified in the valuations. There is no material uncertainty disclosed in the valuation reports.

The following are recognised in the profit or loss in respect of investment properties:

	Group 2020 US$'000	Group 2019 US$'000
Rental income	1,498	488
Repair and maintenance expenses	(463)	(80)
	1,035	408

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2020				
Investment properties	–	25,145	–	25,145
2019				
Investment properties	–	7,887	–	7,887

Valuation technique

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales price of comparable units in the same investment properties are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable units in the same investment properties.

There is no transfer between Level 1 and 2 fair values during the financial year (2019: nil).

12 Assets held for sale

	Group	
	2020 US$'000	2019 US$'000
At 1 January	–	577
Transfer from investment property	–	709
Disposals	–	(1,275)
Foreign currency translation	–	(11)
At 31 December	–	–

On 19 October 2018, a subsidiary of the Group, Asia Capital Reinsurance Malaysia Sdn. Bhd. ("ACRM") entered into a conditional sale and purchase agreement to dispose of two investment properties for a total consideration of approximately US$0.6 million. The sale was completed on 2 April 2019.

On 22 October 2019, additional two investment properties were disposed by ACRM for a total consideration of US$0.7 million.

13 Deferred acquisition costs

The movements in deferred acquisition costs are as follows:

	Group					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Deferred acquisition costs						
At beginning of the year	93,809	(6,621)	87,188	93,036	(9,369)	83,667
Acquisition costs	(249)	512	263	156,850	(8,722)	148,128
Amortisation of deferred acquisition costs	(68,584)	5,928	(62,656)	(160,153)	14,373	(145,780)
Currency translation	3,105	(1,372)	1,733	4,076	(2,903)	1,173
At end of the year	28,081	(1,553)	26,528	93,809	(6,621)	87,188

	Company					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Deferred acquisition costs						
At beginning of the year	93,047	(6,536)	86,511	94,794	(11,311)	83,483
Acquisition costs	593	(388)	205	152,497	(9,952)	142,545
Amortisation of deferred acquisition costs	(67,618)	5,662	(61,956)	(155,870)	14,800	(141,070)
Currency translation	1,826	(76)	1,750	1,626	(73)	1,553
At end of the year	27,848	(1,338)	26,510	93,047	(6,536)	86,511

Deferred acquisition costs are allocated as follows:

	Group					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Non-current	7,690	(479)	7,211	10,138	(1,041)	9,097
Current	20,391	(1,074)	19,317	83,671	(5,580)	78,091
	28,081	(1,553)	26,528	93,809	(6,621)	87,188

	Company					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Non-current	7,568	(364)	7,204	9,689	(680)	9,009
Current	20,280	(974)	19,306	83,358	(5,856)	77,502
	27,848	(1,338)	26,510	93,047	(6,536)	86,511

14 Insurance contract provisions

	Group					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Provision for unexpired risks	83,040	(12,024)	71,016	352,624	(47,797)	304,827
Provision for insurance claims	734,190	(139,266)	594,924	920,386	(203,605)	716,781
	817,230	(151,290)	665,940	1,273,010	(251,402)	1,021,608

Insurance contract provisions are allocated as follows:

	Group					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Non-current	414,624	(90,434)	324,190	555,030	(142,425)	412,605
Current	402,606	(60,856)	341,750	717,980	(108,977)	609,003
	817,230	(151,290)	665,940	1,273,010	(251,402)	1,021,608

The movements in insurance contract provisions are as follows:

	Group					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Provision for unexpired risks						
At beginning of the year	352,624	(47,797)	304,827	324,733	(38,072)	286,661
Premiums written	(3,867)	(6,134)	(10,001)	655,867	(90,562)	565,305
Premiums earned	(270,429)	42,078	(228,351)	(654,401)	101,875	(552,526)
Currency translation	4,712	(171)	4,541	26,425	(21,038)	5,387
At end of the year	83,040	(12,024)	71,016	352,624	(47,797)	304,827
Provision for insurance claims						
At beginning of the year	920,386	(203,605)	716,781	869,169	(226,845)	642,324
Claims paid	(430,900)	82,518	(348,382)	(462,088)	119,887	(342,201)
Loss portfolio transfers	(16,732)	3,683	(13,049)	15,295	539	15,834
Claims incurred	249,916	(22,502)	227,414	491,853	(75,892)	415,961
Currency translation	11,520	640	12,160	6,157	(21,294)	(15,137)
At end of the year	734,190	(139,266)	594,924	920,386	(203,605)	716,781
	817,230	(151,290)	665,940	1,273,010	(251,402)	1,021,608

Provision for unexpired risks are allocated as follows:

	Group					
	---------------- 2020 ----------------			---------------- 2019 ----------------		
	Gross US$'000	**Ceded share US$'000**	**Net US$'000**	**Gross US$'000**	**Ceded share US$'000**	**Net US$'000**
Non-current	19,080	89	19,169	39,782	(6,314)	33,468
Current	63,960	(12,113)	51,847	312,842	(41,483)	271,359
	83,040	(12,024)	71,016	352,624	(47,797)	304,827

The following are the contractual maturities of the liabilities of the Group and the Company except for the net insurance contract provisions which are presented with their expected cashflows, including estimated interest payments:

	Group					
	---------------- 2020 ----------------			---------------- 2019----------------		
	Gross US$'000	**Ceded share US$'000**	**Net US$'000**	**Gross US$'000**	**Ceded share US$'000**	**Net US$'000**
Due in one year	338,646	(48,743)	289,903	405,138	(67,494)	337,644
Due after one through three years	273,683	(70,028)	203,655	349,379	(99,855)	249,524
Due after three years but less than five years	92,868	(16,826)	76,042	118,450	(28,799)	89,651
Due after five years	28,993	(3,669)	25,324	47,419	(7,457)	39,962
	734,190	(139,266)	594,924	920,386	(203,605)	716,781

	Company					
	---------------- 2020 ----------------			---------------- 2019 ----------------		
	Gross US$'000	**Ceded share US$'000**	**Net US$'000**	**Gross US$'000**	**Ceded share US$'000**	**Net US$'000**
Provision for unexpired risks	81,930	(11,250)	70,680	348,385	(47,229)	301,156
Provision for insurance claims	709,980	(135,558)	574,422	876,548	(187,944)	688,604
	791,910	(146,808)	645,102	1,224,933	(235,173)	989,760

Insurance contract provisions are allocated as follows:

	Company					
	---------------- 2020 ----------------			---------------- 2019 ----------------		
	Gross US$'000	**Ceded share US$'000**	**Net US$'000**	**Gross US$'000**	**Ceded share US$'000**	**Net US$'000**
Non-current	387,935	(71,704)	316,231	509,625	(110,051)	399,574
Current	403,975	(75,104)	328,871	715,308	(125,122)	590,186
	791,910	(146,808)	645,102	1,224,933	(235,173)	989,760

The movements in insurance contract provisions are as follows:

	Company					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Provision for unexpired risks						
At beginning of the year	348,385	(47,229)	301,156	339,311	(55,477)	283,834
Premiums written	(6,106)	(3,768)	(9,874)	660,626	(92,252)	568,374
Premiums earned	(265,314)	40,087	(225,227)	(657,244)	100,935	(556,309)
Currency translation	4,965	(340)	4,625	5,692	(435)	5,257
At end of the year	81,930	(11,250)	70,680	348,385	(47,229)	301,156
Provision for insurance claims						
At beginning of the year	876,548	(187,944)	688,604	838,190	(231,327)	606,863
Claims paid	(412,841)	69,824	(343,017)	(459,072)	112,733	(346,339)
Loss portfolio transfers	(11,668)	1,081	(10,587)	(529)	1	(528)
Claims incurred	244,509	(17,107)	227,402	497,767	(69,222)	428,545
Currency translation	13,432	(1,412)	12,020	192	(129)	63
At end of the year	709,980	(135,558)	574,422	876,548	(187,944)	688,604
	791,910	(146,808)	645,102	1,224,933	(235,173)	989,760

Provision for unexpired risks are allocated as follows:

	Company					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Non-current	27,692	(3,802)	23,890	38,092	(5,164)	32,928
Current	54,238	(7,448)	46,790	310,293	(42,065)	268,228
	81,930	(11,250)	70,680	348,385	(47,229)	301,156

The following are the contractual maturities of the liabilities of the Group and the Company except for the net insurance contract provisions which are presented with their expected cashflows, including estimated interest payments:

	Company					
	2020			2019		
	Gross US$'000	Ceded share US$'000	Net US$'000	Gross US$'000	Ceded share US$'000	Net US$'000
Due in one year	349,737	(67,657)	282,080	405,015	(83,057)	321,958
Due after one through three years	245,065	(50,118)	194,947	316,880	(75,726)	241,154
Due after three years but less than five years	87,336	(14,212)	73,124	109,000	(22,422)	86,578
Due after five years	27,842	(3,571)	24,271	45,653	(6,739)	38,914
	709,980	(135,558)	574,422	876,548	(187,944)	688,604

15 Insurance receivables

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Inward insurance receivables and amounts due from retrocessionaires				
- third parties	180,351	369,710	166,903	359,630
- subsidiaries	–	–	2,275	3,446
	180,351	369,710	169,178	363,076
Deposits retained by cedants	29,411	37,245	29,348	36,569
	209,762	406,955	198,526	399,645

The ageing of inward insurance receivables, amounts due from retrocessionaires and the related allowance for impairment loss at the reporting date are as follows:

	Group					
	2020			2019		
	Gross US$'000	Allowance US$'000	Net US$'000	Gross US$'000	Allowance US$'000	Net US$'000
Not due	120,072	–	120,072	317,064	–	317,064
Up to 6 months	31,429	–	31,429	66,868	–	66,868
Above 6 months but not exceeding 12 months	12,352	–	12,352	13,193	(9)	13,184
Above 12 months	53,027	(7,118)	45,909	14,838	(4,999)	9,839
	216,880	(7,118)	209,762	411,963	(5,008)	406,955

	Company					
	------------------- 2020 -------------------			**------------------- 2019 -------------------**		
	Gross US$'000	**Allowance US$'000**	**Net US$'000**	**Gross US$'000**	**Allowance US$'000**	**Net US$'000**
Not due	118,363	–	118,363	316,361	–	316,361
Up to 6 months	29,668	–	29,668	60,872	–	60,872
Above 6 months but not exceeding 12 months	9,500	–	9,500	13,045	–	13,045
Above 12 months	48,034	(7,039)	40,995	14,128	(4,761)	9,367
	205,565	(7,039)	198,526	404,406	(4,761)	399,645

The above receivables have been individually assessed for impairment after considering information such as occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and dispute with counterparties.

Based on historical default rates, the Group and the Company believe that no impairment allowance is necessary in respect of the insurance receivables not past due or past due up to 6 months. These receivables are mainly arising from cedants and brokers that have a good credit history with the Group and the Company.

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

		Group		**Company**	
	Note	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
At beginning of the year		5,008	2,104	4,761	1,184
Acquisition through business combination		–	–	–	690
Allowance for impairment loss of insurance receivables	28	2,495	3,219	2,408	2,887
Reversal of allowance for impairment loss of insurance receivables	28	(437)	(317)	(246)	–
Bad debts written off		51	–	116	
Currency translation		1	2	–	–
At end of the year		7,118	5,008	7,039	4,761

16 Amounts due from holding company

	Group		**Company**	
	2020 US$'000	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Amounts due from holding company (non-trade)	24	1,797	24	1,110
Loan to holding company	20,000	–	20,000	–
	20,024	1,797	20,024	1,110

The amounts due from holding company are current, unsecured, interest-free and are repayable on demand. There was no allowance for impairment loss arising from the outstanding non-trade balance.

During the year, the Company has entered into an intercompany loan facility with CHBL for a total credit facility of US$60 million. The loan is repayable every 3 months from drawdown and the effective interest rate is 3.49% (LIBOR + 3.25%) per annum. There was no allowance for impairment loss arising from the outstanding loan balance.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loan to holding company US$'000
Balance at 1 January 2020	–
Changes from financing cash flows	
Loan advanced to holding company	(20,000)
Balance at 31 December 2020	(20,000)

17 Amounts due from subsidiaries

	Company	
	2020 US$'000	2019 US$'000
Amounts due from subsidiaries (non-trade)	525	1,415

The amounts due from subsidiaries are current.

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. There was no allowance for impairment loss arising from the outstanding balance.

18 Amounts due from related company

	Group and Company	
	2020 US$'000	2019 US$'000
Loan to related company	–	17,000
Accrued interest on loan	–	2,270
	–	19,270

The prior year loan balance outstanding was fully repaid on 31 March 2020.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loan to holding company US$'000
Balance at 1 January 2020	19,270
Changes from financing cash flows	
Proceeds of repayment of loan to related company	(19,270)
Balance at 31 December 2020	–

19 Other receivables

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Accrued interest from cash and cash equivalents	45	67	44	57
Investment receivables	429	–	417	–
Others	8,671	2,165	8,677	2,142
	9,145	2,232	9,138	2,199
Prepayments	99	798	42	786
	9,244	3,030	9,180	2,985

Other receivables are current.

20 Cash and cash equivalents

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Cash at bank and in hand	98,875	232,400	50,179	119,092
Deposits with financial institutions	69,979	33,048	52,516	20,396
Cash and cash equivalents in the statement of financial position	168,854	265,448	102,695	139,488
Restricted bank balances	(43,354)	(69,830)	(43,354)	(69,830)
Cash and cash equivalents in the statement of cash flows	125,500	195,618	59,341	69,658

Included in the Group and Company's cash at bank and in hand is US$43.3 million (2019: US$69.8 million) of restricted cash pledged as security for trade letter of credit facility.

The weighted average effective interest rate per annum relating to deposits with financial institutions at the reporting date is 1.6% (2019: 1.3%).

Deposits with financial institutions are generally placed on short-term maturities of less than 12 months in duration.

21 Capital and reserves

Share capital

	2020 Number of shares '000	2019 Number of shares '000
Fully paid ordinary shares, with no par value:		
At beginning of the year/At end of the year	858,198	858,198

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

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve relates to the revaluation of properties.

Dividends

There was no dividend declared for financial year ended 31 December 2020 and 2019.

22 Insurance payables

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Insurance payables	55,506	39,465	50,442	35,816

Insurance payables are current.

23 Other payables and accruals

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Accrued expenses	7,508	10,850	6,668	9,920
Accrued restructuring expenses	7,077	19,974	6,520	19,281
Other payables	1,267	1,244	840	1,225
	15,852	32,068	14,028	30,426

Other payables and accruals are current.

24 Deferred tax (assets) and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax (assets) and liabilities are attributable to the following:

	--------- Assets ---------		--------- Liabilities ---------	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Group				
Available-for-sale financial assets	–	–	–	537
Tax loss carry-forwards	(13,748)	(10,122)	–	–
Others	–	(319)	536	1,029
Deferred tax (assets)/liabilities	(13,748)	(10,441)	536	1,566
Set off of tax	–	319	–	(319)
Net deferred tax (assets)/liabilities	(13,748)	(10,122)	536	1,247
Company				
Available-for-sale financial assets	–	–	–	–
Tax loss carry-forwards	(13,655)	(10,122)	–	–
Others	–	–	536	453
Net deferred tax (assets)/liabilities	(13,655)	(10,122)	536	453

Tax losses carried forward

The tax losses of US$90.6 million (2019: US$94.7 million) do not expire under current tax legislation. The utilisation of tax losses carried forward is subject to the agreement of the tax authority, in particular the shareholding test given the change in the shareholder of the Company. Out of US$90.6 million, US$47.5 million relates to FY2019 losses and prior. An application will be filed to IRAS to request approval of shareholding test waiver due to the change in control as a result of acquisition of the entity by CHBL.

Movements in deferred tax (assets) and liabilities (prior to offsetting of balances) during the year are as follows:

Group

	Balance as at 1 January 2019 US$'000	Recognised in profit or loss US$'000	Recognised in other compre-hensive income US$'000	Currency translation US$'000	Balance as at 31 December 2019 US$'000	Recognised in profit or loss US$'000	Recognised in other compre-hensive income US$'000	Currency translation US$'000	Balance as at 31 December 2020 US$'000
Available-for-sale financial assets	–	532	5	–	537	(537)	–	–	–
Tax loss carry-forwards	(8,200)	(1,922)	–	–	(10,122)	(3,626)	–	–	(13,748)
Others	642	(565)	31	602	710	117	(33)	(258)	536
	(7,558)	(1,955)	36	602	(8,875)	(4,046)	(33)	(258)	(13,212)

Company

	Balance as at 1 January 2019 US$'000	Recognised in profit or loss US$'000	Recognised in other comprehensive income US$'000	Balance as at 31 December 2019 US$'000	Recognised in profit or loss US$'000	Recognised in other comprehensive income US$'000	Balance as at 31 December 2020 US$'000
Tax loss carry-forwards	(8,200)	(1,922)	–	(10,122)	(3,533)	–	(13,655)
Others	541	(88)	–	453	83	–	536
	(7,659)	(2,010)	–	(9,669)	(3,450)	–	(13,119)

Deferred tax assets and liabilities are non-current.

25 Net investment income

	Group	
	2020	**2019**
	US$'000	**US$'000**
Interest income	20,026	34,439
Net (loss)/gain on sale of investments	(5,211)	20,789
Net gain on disposal of available-for sale financial assets reclassified from equity	7,845	7,560
Net fair value gains	7,422	3,201
Investment expenses	(1,804)	(2,076)
Dividend income from investments	15,569	14,016
Rental of properties received from third parties, net of expenses	1,035	408
	44,882	78,337

26 Other operating expenses

	Group	
	2020	**2019**
	US$'000	**US$'000**
Net foreign exchange loss	(2,513)	(1,513)
Redundancy expenses	–	(19,974)
Project termination	–	(2,303)
Work-in-progress write off	–	(7,779)
Other operating income	85	2,442
Job support scheme grant income	1,281	–
	(1,147)	(29,127)

27 Tax expense

	Group	
	2020	**2019**
	US$'000	**US$'000**
Recognised in profit or loss		
Current tax expense		
Current year	1,527	853
Under provision in prior year	489	372
	2,016	1,225
Deferred tax credit		
Movements in temporary differences	(4,046)	(1,955)
Total tax credit	(2,030)	(730)

Recognised in other comprehensive income

For the year ended 31 December

	2020			2019		
	Before tax US$'000	**Tax expense US$'000**	**Net of tax US$'000**	**Before tax US$'000**	**Tax credit US$'000**	**Net of tax US$'000**
Available-for-sale financial assets	2,272	–	2,272	31,884	(5)	31,879
Others	(132)	33	(99)	130	(31)	99
	2,140	33	2,173	32,014	(36)	31,978

Reconciliation of effective tax rate

	Group 2020 US$'000	Group 2019 US$'000
Loss before tax	(51,949)	(1,506)
Tax calculated using Singapore tax rate of 17% (2019: 17%)	(8,831)	(256)
Effects of:		
- Concessionary tax rate of 10%	730	458
- Income not subject to tax	(556)	(141)
- Effects of tax rates in foreign jurisdiction	2,855	629
- Non-deductible expenses	544	163
- Under provision in prior year	489	372
- Movements in temporary differences	–	(1,955)
- Tax effect of unrecognised tax losses	2,739	–
	(2,030)	(730)

Pursuant to section 43C of the Singapore Income Tax Act, Cap 134, income from offshore business is subject to tax at the concessionary rate of 10% up to 31 March 2020, whereby the standard rate of 17% subsequently applies.

28 Loss for the year

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

	Note	Group 2020 US$'000	Group 2019 US$'000
Personnel expenses			
- Staff costs		17,194	25,702
- Contributions to a defined contribution plan		1,217	1,554
Depreciation of property and equipment	7	2,850	1,087
Loss on disposal of property and equipment		30	1
Allowance for impairment loss of insurance receivables	15	2,495	3,219
Reversal of allowance for impairment loss of insurance receivables	15	(437)	(317)
Bad debt written off		51	–
Audit fees		607	522
Lease expenses		167	1,871
Ceding fee		(435)	59

29 Leases

Leases as lessee (FRS 116)

The Group leases which typically run for a period of one to four years, with an option to renew the lease after the date.

The office leases were entered into many years ago. Previously, these leases were classified as operating leases under FRS 17.

The Group leases various assets with contract terms of one to four years. There leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment (see note 7).

Group

	Land and buildings US$'000	Motor vehicle US$'000	Office equipment US$'000	Total US$'000
Balance at 1 January 2019	735	21	61	817
Additions to right-of-use assets	3,872	–	–	3,872
Depreciation charge for the year	(464)	(9)	(8)	(481)
Balance at 31 December 2019	4,143	12	53	4,208
Balance at 1 January 2020	4,143	12	53	4,208
Additions to right-of-use assets	–	–	–	–
Disposal to right-of-use assets	(96)	(3)		(99)
Depreciation charge for the year	(2,000)	(9)	(14)	(2,023)
Balance at 31 December 2020	2,047	–	39	2,086

Company

	Land and buildings US$'000	Motor vehicle US$'000	Office equipment US$'000	Total US$'000
Balance at 1 January 2019	735	21	37	793
Additions to right-of-use assets	3,872	–	–	3,872
Depreciation charge for the year	(464)	(9)	(3)	(476)
Balance at 31 December 2019	4,143	12	34	4,189
Balance at 1 January 2020	4,143	12	34	4,189
Additions to right-of-use assets	–	–	–	–
Disposal to right-of-use assets	(96)	(3)	–	(99)
Depreciation charge for the year	(2,000)	(9)	(9)	(2,018)
Balance at 31 December 2020	2,047	–	25	2,072

Amounts recognised in profit or loss

	Group	
	2020 US$'000	2019 US$'000
Lease under FRS 116		
Expenses relating to short-term leases	167	328

Extension options

Some property leases contain extension options exercisable by the Group up to two years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of US$3.3 million (2019: US$3.3 million).

Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties as well as leased property (see note 11). All leases are classified as operating leases.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 11 sets out information about the operating leases of investment properties.

Rental income, net of expenses from investment property recognised by the Group during 2020 was US$1.0 million (2019: US$0.4 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2020	**2019**
	US$'000	**US$'000**
Operating leases under FRS116		
Less than one year	165	384
One to two years	–	165
Total	165	549

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	**Lease liabilities US$'000**
Balance at 1 January 2019	4,689
Changes from financing cash flows	
Payment of lease liabilities	(481)
Balance at 31 December 2019 and 1 January 2020	4,208
Changes from financing cash flows	
Payment of lease liabilities	(2,023)
Other changes	
Disposal	(99)
Balance at 31 December 2020	2,086

30 Significant related party transactions

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the transactions with the Group's related parties are as follows:

	2020 US$'000	**2019 US$'000**
Group		
Holding company (ACR Capital Holdings Pte. Ltd.)		
- Management fees charged by the holding company	–	(281)
- Expenses recharged by the holding company	–	(6,020)
Affiliated companies		
- Premiums received/receivable	–	24
- Commission paid/payable	–	(11)
- Claims paid/payable	–	(214)
Company		
Holding company (ACR Capital Holdings Pte. Ltd.)		
- Management fees charged by the holding company	–	(281)
- Expenses recharged by the holding company	–	(6,020)
Subsidiary company		
- Premiums received/receivable	1,376	8,993
- Commission paid/payable	(392)	(2,424)
- Claims paid/payable	(6,240)	(7,115)

	2020 US$'000	2019 US$'000
Company		
Affiliated companies		
- Premiums received/receivable	–	24
- Commission paid/payable	–	(11)
- Claims paid/payable	–	(214)

31 Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers.

Key management personnel compensation comprised:

	Group 2020 US$'000	2019 US$'000
Short term employment benefits	7,314	3,896
Post-employment benefits	161	37
Termination benefits	1,431	–
	8,906	3,933

32 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group in future financial periods, the Group is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts (Amendments to FRS 104)*

The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with FRS 117 *Insurance Contracts* and FRS 109 *Financial Instruments*: an overlay approach and a temporary exemption from applying FRS 109.

The amended FRS 104:

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

- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2023 or when FRS 117 becomes effective. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and
b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.

An insurer that elects to apply the temporary exemption from FRS 109 shall disclose information to enable users of financial statements:

a) to understand how the insurer qualified for the temporary exemption; and
b) to compare insurers applying the temporary exemption with entities applying FRS 109.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once FRS 117 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Group's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under FRS 109 is adopted.

The Group has decided that it will elect the temporary exemption in the amendments to FRS 104 from applying FRS 109 till 1 January 2023. The Group will be able to perform a comprehensive assessment of the impact of both standards, taking into considerations the options available for the implementation of both standards together. The Group assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is above 90% of its total liabilities as at 31 December 2015. There were no changes in the Group's activities after this date, hence no reassessment was required at subsequent reporting year-ends.

The fair value information of the Group's directly held financial assets at 31 December 2020 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 are shown in the table below, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109		**All other financial assets**	
	Fair value at 31 December 2020 US$'000	**Movement in the fair value during the year US$'000**	**Fair value at 31 December 2020 US$'000**	**Movement in the fair value during the year US$'000**
Investments	619,684	10,117	389,533	7,422
Other receivables	9,145	–	–	–
Cash and cash equivalents	168,854	–	–	–
Total financial assets	797,683	10,117	389,533	7,422
	Fair value at 31 December 2019 US$'000	**Movement in the fair value during the year US$'000**	**Fair value at 31 December 2019 US$'000**	**Movement in the fair value during the year US$'000**
Investments	610,824	39,444	471,972	3,201
Other receivables	2,232	–	–	–
Cash and cash equivalents	265,448	–	–	–
Total financial assets	878,504	39,444	471,972	3,201

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 in the table above are classified as amortised cost under FRS 39. The credit ratings of these financial assets, analysed on the same basis of those disclosed in note 6, are as follows:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA US$'000	**AA+ to AA- US$'000**	**A+ to A- US$'000**	**BBB+ to BBB- US$'000**	**Below BBB- or not rated US$'000**	**Total US$'000**
2020						
Investments	128,892	73,211	115,156	177,237	125,188	619,684
Other receivables	–	–	–	–	9,145	9,145
Cash and cash equivalents	–	345	152,419	16,090	–	168,854
	128,892	73,556	267,575	193,327	134,333	797,683
2019						
Investments	11,246	5,170	329,603	155,495	109,310	610,824
Other receivables	–	–	–	–	2,232	2,232
Cash and cash equivalents	–	67,166	132,497	65,785	–	265,448
	11,246	72,336	462,100	221,280	111,542	878,504

33 Subsequent events

a) Subsequent to year end, a subsidiary to the Group, Asia Capital Reinsurance Malaysia Sdn. Bhd ("ACRM"), underwent a capital reduction exercise in January 2021. As a result of the capital reduction exercise, the shares of ACRM were reduced by RM150,000,000. ACRM remains as 100% owned subsidiary of the Group before and after the capital reduction exercise.

b) The Board of the Company has approved a capital reduction of up to US$300 million in Q2 2021 subject to approval from the Monetary Authority of Singapore ("MAS").